



The exact financial impact of these reductions and cancellations is not in the public domain, but given the estimated contracts of identified customer cancellations and reductions, it is estimated at over C\$100 million.

For example, major companies such as Kimberly-Clark, one of the world's largest makers of personal paper products,²⁸ and 3M, a conglomerate with operations in 65 countries, are both reported to be reducing or removing Resolute from their supply chain.²⁹ Best Buy, a multinational consumer corporation; Axel Springer, one of the largest publishing houses in Europe; Procter & Gamble, an international manufacturer of household products, and others are following suit.³⁰ The exact financial impact of these reductions and cancellations is not in the public domain, but given the estimated contracts of identified customer cancellations and reductions, we would estimate at over C\$100 million.

"In a shrinking industry, it's a bad thing if you're also losing customers." – Kevin Mason, Managing Director of Gibsons, British Columbia-based ERA Forest Products Research³¹

Statements by the company concerning the reasons why it is losing key customers and/or business could be creating further harm to the company's reputation. Twice in 2014, Resolute wrongly stated to newspapers that customers 3M and Kimberly-Clark refused to buy any forest products from the Boreal Forest. However both companies either continue to purchase Boreal Forest products from other companies or have explicitly stated that they remain committed to buying from responsible Boreal sources.³² One newspaper headline read "Resolute Forest Products accused of lying by a customer."³³ Another media outlet subsequently had to print a clarification stating that the lack of FSC certification at a Resolute mill was the reason for 3M no longer purchasing from Resolute.³⁴ These incorrect statements were also communicated in an email from Resolute CEO Garneau to local mayors and were further reported upon publicly.³⁵ Resolute's incorrect statements about its customers' purchasing decisions can damage its reputation and actual relationships with customers.

Questions for Resolute:

Was stated customer preference for FSC certification taken into account when deciding to not pursue new FSC certifications and abandoning the 80% goal? Did Resolute anticipate the loss of customers stated above? Does it anticipate an erosion of market share or decrease in price that the company's products command within the next 12–24 months as a result of reduced FSC certification?

Does Resolute anticipate the suspension and/or termination of additional FSC certificates – in particular with regard to issues such as endangered species and/or Indigenous people's rights? If yes, what steps is the company taking to ensure this does not impact on market share?

What percentage of the company's forestlands were FSC certified at the end of 2015 and what percentage does Resolute anticipate will be at the end of 2016? Will the company disclose the actual figures on an ongoing basis in annual reports?

²⁸ Hoovers. (n.d.). *Kimberly-Clark Corporation Company Information*. Hoovers website. [Accessed: October 13, 2015] http://www.hoovers.com/company-information/cs/company-profile/Kimberly-Clark_Corporation.7fb0192433223539.html

²⁹ Potvin, L. (September 26, 2015). *Le crédit FSC au coeur du problème*. Le Quotidien. [Accessed: November 5, 2015] <http://www.pressreader.com/canada/le-quotidien/20150926/281586649403411/TextView>; CBC News. (March 6, 2015). *3M's new pulp and paper policy impacts Resolute Forest Products*. CBC News website. [Accessed: November 5, 2015] <http://www.cbc.ca/news/canada/thunder-bay/3m-s-new-pulp-paper-policy-impacts-resolute-forest-products-1.2984278>; Potvin, L. (September 25, 2015). *Nouveau coup dur pour Résolu*. Le Quotidien. [Accessed: November 5, 2015] <http://www.lapresse.ca/le-quotidien/actualites/201509/23/01-4903332-nouveau-coup-dur-pour-resolu.php>

³⁰ CBC News. (December 9, 2014). *Best Buy to shift some business away from Resolute*. CBC News website. [Accessed: November 5, 2015] <http://www.cbc.ca/news/canada/thunder-bay/best-buy-to-shift-some-business-away-from-resolute-1.2866000>; Potvin, L. (September 25, 2015). *Nouveau coup dur pour Résolu*. Le Quotidien. [Accessed: November 5, 2015] <http://www.lapresse.ca/le-quotidien/actualites/201509/23/01-4903332-nouveau-coup-dur-pour-resolu.php>

³¹ Ibid.

³² Potvin, L. (September 26, 2015). *Le crédit FSC au coeur du problème*. Le Quotidien. [Accessed: November 5, 2015] <http://www.pressreader.com/canada/le-quotidien/20150926/281586649403411/TextView>; Lacavalier, C. (March 30, 2015). *Produits forestiers Résolu accusée de mentir par un client*. Quebec Daily News website. [Accessed: November 6, 2015] <http://newsinquebec.com/produits-forestiers-resolu-accusee-de-mentir-par-un-client-jdq/>

³³ Lacavalier, C. (March 30, 2015). *Produits forestiers Résolu accusée de mentir par un client*. Quebec Daily News website. [Accessed: November 6, 2015] <http://newsinquebec.com/produits-forestiers-resolu-accusee-de-mentir-par-un-client-jdq/> Headline translated from original in French: Resolute Forest Products accused of lying by a customer

³⁴ Ibid.

³⁵ Potvin, L. (March 26, 2014). *Richard Garneau inquiet*. Le Quotidien. [Accessed: November 5, 2015] <http://www.lapresse.ca/le-quotidien/actualites/201403/25/01-4751328-richard-garneau-inquiet.php>

Indigenous rights issues

Free Prior and Informed Consent and evolving standards for addressing Indigenous rights

The rights and title of Indigenous peoples to land and livelihood in Canada is protected under the Canadian Constitution and recognized under the UN Declaration of the Rights of Indigenous People.³⁶ The legal standards and requirements for addressing these rights, title and interests continues to evolve and be clarified in Canada and this can have repercussions for resource companies, such as forest products companies, operating on the traditional territory of Indigenous communities³⁷. These changing benchmarks should be considerations for investors in these types of companies. Resolute's operating land base lies almost entirely within the traditional territorial limits of Indigenous nations in Canada.

The rights of Indigenous people to Free, Prior and Informed Consent (FPIC) before forestry operations start are also a core tenet of the FSC standard that every FSC certified company must obtain prior to operating.³⁸

While the company purportedly has good relations with some Indigenous communities and/or band councils, strained relations with other communities remain³⁹. For example:

In 2013, Resolute's certificate in the Lac St-Jean region of Quebec was suspended due to non-conformances "related to Indigenous Peoples rights – Free prior and informed consent and impact assessments on resources, values and interests," among others.⁴⁰ The Grand Council of the Crees subsequently filed a C\$13-million lawsuit against the Quebec provincial government for allowing Resolute to engage in what it calls "illegal logging" on its traditional territory.⁴¹ While the lawsuit has subsequently been settled for most of the areas covered by Resolute's Lac St-Jean FSC certificate,⁴² not all affected First Nations were satisfied. In particular, the Cree Nation of Waswanipi issued a formal notice in July 2015 to halt logging in a portion of their traditional territories that overlaps with Resolute tenure.⁴³ The Waswanipi Cree, one of nine First Nations represented by the Grand Council of the Crees, continue to seek protection for a significant area of forest called the Broadback Valley. Resolute has wood volume allocations in this region that may be significantly affected by any future legal actions and/or communications by the community or by government intervention.

³⁶ Government of Canada. (1982). *The Constitution Act, 1982, being Schedule B to the Canada Act 1982 (UK), 1982, c 11*. Government of Canada. [Accessed: November 6, 2015] <https://zoupio.lexum.com/calegis/schedule-b-to-the-canada-act-1982-uk-1982-c-11-en#fragment/KHRhYrEgMSCOnRvYykp>; UN General Assembly. (October 2, 2007). *United Nations Declaration on the Rights of Indigenous Peoples: Resolution adopted by the General Assembly*. United Nations website. [Accessed: November 6, 2015] http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf;

³⁷ See for example: Supreme Court of Canada. (June 26, 2014). *Tsilhqot'in Nation v. British Columbia*, 2014 SCC 44, [2014] 2 S.C.R. 256. Supreme Court of Canada. [Accessed: November 6, 2015] <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/14246/index.do>

³⁸ Forest Stewardship Council Canada Working Group. (August 4, 2004). *National Boreal Standard, Section 3: Indigenous Peoples' Rights*. Forest Stewardship Council website. pp. 37-44. [Accessed: November 5, 2015] <https://ca.fsc.org/preview.national-boreal-standard.a-99.pdf>

³⁹ Grand Council of the Crees. (2013). *Crees Launch Formal Challenge to Resolute Forest Products Inc. Forest Stewardship Council (FSC) Certification*. Grand Council of the Crees website. [Accessed: November 5, 2015] <http://www.gcc.ca/newsarticle.php?id=308>; Shertow, J. A. (2012). *Resolute Forest Products begins illegal logging operation on Algonquin lands*. IC Magazine. [Accessed: November 5, 2015] <https://intercontinentalcry.org/resolute-forest-products-begins-illegal-logging-operation-on-algonquin-lands/>; Forest Stewardship Council Canada. (n.d.). *Resolute Forest Products' FSC Certificate Backgrounder*. Forest Stewardship Council Canada website. [Accessed: October 13, 2015] <http://ca.fsc.org/preview.resolute-forest-products-fsc-certificate-backgrounder.a-760.pdf>

⁴⁰ Forest Stewardship Council Canada. (n.d.). *Resolute Forest Products' FSC Certificate Backgrounder*. Forest Stewardship Council Canada website. pp. 1-2. [Accessed: October 13, 2015] <http://ca.fsc.org/preview.resolute-forest-products-fsc-certificate-backgrounder.a-760.pdf>; Rainforest Alliance. (December 11, 2013). *RA-FM/COC-005956 Corrective Action Verification Report*. Accreditation Services International. (March 31, 2014). *The Grand Council of the Cree in Canada's complaint against Rainforest Alliance at RA-FM/COC-005956 (Resolute Forest Products): ASI investigation completed*. Accreditation Services International website. [Accessed: November 6, 2015] <http://accreditation231.rssing.com/browser.php?indx=8795999&item=40>

⁴¹ Grand Council of the Crees. (2013). *Crees File Motion Against Québec to Stop Illegal Logging and Compensate for Past Damages*. Grand Council of the Crees website. [Accessed: October 14, 2015] <http://www.gcc.ca/newsarticle.php?id=349>

⁴² CBC News. (2015). *Cree and Quebec sign agreement to resolve dispute over forestry practices*. CBC News website. [Accessed: November 5, 2015] <http://www.cbc.ca/news/canada/north/cree-and-quebec-sign-agreement-to-resolve-dispute-over-forestry-practices-1.3149770>; Cree First Nation of Waswanipi. (2015). *Agreement to Resolve Baril Moses Dispute: Cree Nation of Waswanipi Calls for Protection of its Last Intact Forests*. Cree First Nation of Waswanipi website. [Accessed: November 5, 2015] <http://www.waswanipi.com/en/home/4-news/454-press-release-agreement-to-resolve-baril-moses-dispute-cree-nation-of-waswanipi-calls-for-protection-of-its-last-intact-forests>

⁴³ Cree First Nation of Waswanipi (2015) *Agreement to resolve Baril Moses dispute: Cree Nation of Waswanipi calls for protection of its last intact forests*. PR newswire website. [Accessed: January 4, 2016] <http://www.prnewswire.com/news-releases/agreement-to-resolve-baril-moses-dispute-cree-nation-of-waswanipi-calls-for-protection-of-its-last-intact-forests-514714611.html>



- In 2013, the independent certifying body Rainforest Alliance found that Resolute had failed to establish a dispute resolution process with another First Nation, the Mashteuiatsh Innu, for their FSC certificate in Quebec's Mistassini-Péribonka region.⁴⁴ Rainforest Alliance concluded that "the applicant has not demonstrated that there is a process for land dispute resolution developed jointly with First Nations."⁴⁵ The FSC certificate was suspended and subsequently terminated.⁴⁶
- In 2014, the Atikamekw First Nation made a declaration of sovereignty on their traditional lands, prompted in part by destructive logging operations on their traditional territory.⁴⁷ "We have never given our consent or agreed to the massive exploitation of forestry resources that are found on our territory," Chief Christian Awashish said.⁴⁸ Their declaration states that any resource development must be done in cooperation with the Atikamekw, whose territories overlap with areas from which Resolute sources wood volumes for area mills. Resolute has admitted to being "preoccupied" by the Atikamekw declaration.⁴⁹ In December 2015, the Atikamekw communicated officially to FSC auditors that they did not give their consent to operations on a large area of forest on their traditional territories covering 1.6 million hectares in Quebec. This may have an impact on the status of the FSC certificates for this area which supply several of the company's mills⁵⁰. Any further actions by the Atikamekw could result in a disruption of wood supplies, which would impact mill operations, revenue and profitability.

We have never given our consent or agreed to the massive exploitation of forestry resources that are found on our territory

—Chief Christian Awashish

Questions for Resolute:

What changes have been made or are being made to Resolute's Indigenous Peoples outreach practices as a result of issues arising with various communities?

What outreach is Resolute undertaking with the Waswanipi Cree, who are opposed to any logging or road building in certain areas that overlap with volume allocations available to forestry companies, including Resolute? What outreach is the company undertaking with the Atikamekw First Nation, who have declared sovereignty on their lands? What, if any, operational impact does Resolute anticipate from actions by the Cree First Nation of Waswanipi and Atikamekw First Nation?

Public opposition on social and environmental grounds

Conflict with the environmental community

Resolute, whilst calling itself a sustainability leader,⁵¹ has lost the confidence of almost every major environmental organization over its unsustainable practices and approach to collaboration.

In 2010, Greenpeace and eight other environmental and conservation organizations joined with lumber and paper producers to set up the Canadian Boreal Forest Agreement, a pact that suspended market and public campaigns against unsustainable forest practices of companies active in Canadian forests. But citing a lack of progress in achieving agreed implementation milestones, as documented by independent

⁴⁴ Rainforest Alliance. (2013). *Public Summary Report for Forest Management, 2013 Annual Audit Report for: PF Résolu Canada Inc. (Mistassini-Péribonka)* in Dolbeau-Mistassini, QC.

⁴⁵ Rainforest Alliance. (2013). *Public Summary Report for Forest Management, 2013 Annual Audit Report for: PF Résolu Canada Inc. (Mistassini-Péribonka)* in Dolbeau-Mistassini, QC. p. 8.

⁴⁶ Forest Stewardship Council Canada. (n.d.). *Resolute Forest Products' FSC Certificate Background*. Forest Stewardship Council Canada website. pp. 1-2. [Accessed: October 13, 2015] <http://ca.fsc.org/preview/resolute-forest-products-fsc-certificate-background-a-760.pdf>

⁴⁷ Marin, S. (2014). *Atikamekw say they won't allow forestry work on their land without approval*. The Canadian Press. [Accessed: November 5, 2015] <http://www.cbc.ca/news/aboriginal/atikamekw-say-they-won-t-allow-forestry-work-on-their-land-without-approval-1.2776780>

⁴⁸ Ibid.

⁴⁹ Ibid.; Rainforest Alliance. (2010). *Forest Management Certification Assessment Report for: La Compagnie Abitibi-Consolidated du Canada Inc. (AbitibiBowater)* FMU 042-51 and 043-52 in Grand-Mère, Québec. SW-FM/COC-005038

⁵⁰ Leroux, B. P.-André Cloutier (2016) *La certification FSC d'entreprises forestières compromise en Haute-Mauricie*. Radio-Canada website. [Accessed: January 5, 2016] <http://ici.radio-canada.ca/regions/mauricie/2016/01/03/003-produits-forestiers-resolu-certification-fsc-obedjiwan.shtml>

⁵¹ Resolute Forest Products. (2015). *2014 Form 10-K*. Resolute Forest Products website. p. 11. [Accessed: November 5, 2015] http://www.resolutefp.com/uploadedFiles/Investors/Financial_Reports/2014_10-K_Resolute-RFP.pdf

auditing firm KPMG, Greenpeace and Canopy withdrew from the Agreement by 2013,⁵² and a third organization, the prominent David Suzuki Foundation, followed in 2014. The remaining six environmental organizations that continue to participate in the Agreement have publicly broken off dialogue with Resolute stating that “we have come to the sad conclusion that Resolute will not do the minimum that the science says is required to protect our forests and the threatened caribou that call them home.”⁵³

Even Resolute’s partnership with the World Wildlife Fund’s (WWF) Climate Savers program, which it joined in 2011, expired at the end of 2015.⁵⁴ One of Resolute’s environmental commitments under this program was to increase FSC certification to 80% of its forestlands, a commitment it abandoned in 2014.⁵⁵

These examples of the loss of social license from the environmental community can be very concerning for a company who wishes to operate in the Boreal Forest and whose customers expect it to pursue a collaborative approach to resolving disputes.

Questions for Resolute:

Knowing that relationships with environmental organizations are important to maintaining social license, what steps is the company taking to improve relationships with such key stakeholders?

Financial and reputational liabilities from litigation strategy

The company has invested and continues to spend financial and reputational capital on public relations and legal attacks on critics in a way that Bloomberg Business calls a “drag on profit.”⁵⁶

On May 23, 2013, Resolute filed a \$7-million lawsuit in Ontario Superior Court against Greenpeace Canada and two of its staff. In essence, Resolute claims Greenpeace acted unlawfully in communicating information about its logging operations and products to its customers and the general public. Greenpeace contends this lawsuit is a Strategic Lawsuit Against Public Participation (SLAPP).⁵⁷ A SLAPP seeks to intimidate and silence civil society groups by burdening them with prohibitive legal costs associated with a legal defense.⁵⁸ The term is used to describe a case where one of the goals of the party bringing the lawsuit is to silence critics.

⁵² Gunn, G. S. (2012). *KPMG Independent Progress Report 2012: Progress Report on External Project Management Milestones*. KPMG. p. 2. [Accessed: November 5, 2015] <http://cbfa-efbc.ca/independent-progress-report/>; Jang, B. (April 17, 2013). *Another Environmental Group Pulls Out of Canadian Logging Pact*. The Globe and Mail. [Accessed: November 12, 2015] <http://www.theglobeandmail.com/news/british-columbia/another-environmental-group-pulls-out-of-canadian-logging-pact/article11305701/>

⁵³ ForestEthics. (May 21, 2013). *Environmental groups suspend further work with Resolute Forest Products under Canadian Boreal Forest Agreement*. ForestEthics website. [Accessed: November 5, 2015] <http://www.forestethics.org/news/environmental-groups-suspend-further-work-resolute-forest-products-under-canadian-boreal-forest-agreement/>

⁵⁴ Greenpeace Canada and Canopy were the first two organizations to terminate their involvement with the Canadian Boreal Forest Agreement, citing a lack of progress. The David Suzuki Foundation is the third. The environmental organizations that remain in the agreement refuse to collaborate with Resolute, they include the Canadian Parks and Wilderness Society, ForestEthics, Ivey Foundation, The Nature Conservancy and the International Boreal Conservation Campaign. A ninth organization, the Canadian Boreal Initiative has recently been dissolved.

⁵⁵ World Wildlife Fund (n.d.). *WWF urges Resolute Forest Products to engage positively with FSC on forest management*. World Wildlife Fund website. [Accessed: January 4, 2016] http://wwf.panda.org/about_our_earth/deforestation/forest_sector_transformation/forest_certification/?258651/WWF-urges-Resolute-Forest-Products-to-engage-positively-with-FSC-on-forest-management

⁵⁶ Resolute Forest Products. (2015). *2014 Annual Report*. Resolute Forest Products website. p. 33. [Accessed: November 5, 2015] http://www.resoluteforestproducts.com/uploadedFiles/Investors/Financial_Reports/Resolute_Forest_Products-2014_Annual_Report.pdf

⁵⁷ Donville, C. (January 12, 2015). *Resolute Feud with Greenpeace Drags on Profit: Corporate Canada*. Bloomberg Business website. [Accessed: November 5, 2015] <http://www.bloomberg.com/news/articles/2015-01-12/resolute-feud-with-greenpeace-draws-on-profit-corporate-canada>

⁵⁸ Greenpeace Canada. (2013). *Resolute’s \$7 million lawsuit aims to silence criticism of its forest destruction*. Greenpeace Canada blog post. [Accessed: November 5, 2015] <http://www.greenpeace.org/canada/en/blog/Blogentry/resolutes-7-million-lawsuit-aims-to-silence-c/blog/46657/>

⁵⁹ Canadian Environmental Law Association. (2015). *What is a SLAPP suit?* Canadian Environmental Law Association website. [Accessed: October 14, 2015] <http://www.cela.ca/node/2990>



Some investors think the company is distracted by side issues — ‘you focus on Greenpeace when you should be focusing on other issues.’ — Kevin Mason, ERA Forest Products Research

Support for the claim that the lawsuit against Greenpeace is a SLAPP is evidenced by the fact that Resolute hired no less than six individuals to lobby against anti-SLAPP legislation recently enacted in Ontario, where the lawsuit was filed.⁵⁹ While the legislation was ultimately passed, the government did abandon its initial plan to apply the legislation to any ongoing litigation, effectively exempting Resolute's lawsuit against Greenpeace.

In July 2015, Resolute turned down a request from Greenpeace to join it in mediation to “resolve the larger issues arising from our respective clients’ interests in the future of the Canadian Boreal Forest,” citing this mediation would be “premature.”⁶⁰ One week later, Resolute launched a “You Deserve a Voice” public relations campaign aimed at Greenpeace and ForestEthics, saying it plans to spend “significant” sums on advertising in national and regional publications, direct mail, along with digital advertising and social media campaigns.⁶¹ The amount of financial and senior management capital being expended on litigation and public relations should be of interest to investors at a time when competition within the paper market is so fierce. One market analyst reported that investors are already taking notice and questioning management's approach. Kevin Mason of ERA Forest Products Research told the National Post, one of Canada's national newspapers, “some investors think the company is distracted by side issues — ‘you focus on Greenpeace when you should be focusing on other issues.’”⁶²

In 2014, Resolute also initiated a lawsuit against independent certifying body Rainforest Alliance after the drafting of two audit reports by the auditor, blocking their public release.⁶³ The reports reasserted the suspension of one of Resolute's FSC certificates in Ontario and concluded that another FSC certificate should be suspended.⁶⁴ Rather than participate in formal dispute resolution processes set up within the FSC, one legal expert noted that Resolute's “strategy appears to be, not to engage Rainforest Alliance on the facts, but rather to suppress these facts.”⁶⁵ A settlement in this case was reached in early 2015. Suing a world-renowned auditor of a voluntary environmental and social certification scheme was unprecedented and could impact the company's corporate social responsibility reputation.⁶⁶

These examples of a litigious, rather than collaborative, approach to resolving disputes results in the prolonging of these disputes, undermining the company's reputation, as well as its ability to achieve social license for its operations and the marketability of its products.

Questions for Resolute:

Why did Resolute consider it necessary to engage lobbyists in relation to anti-SLAPP legislation in the province of Ontario when it denies its lawsuits are SLAPPs? What specific benefit or threat to core operations does Resolute believe will be served through lobbying efforts?

⁵⁹ Office of the Integrity Commissioner. (n.d.). *Lobbyists Registration*. Office of the Integrity Commissioner website, pp. 1-2. [Accessed: October 23, 2015] <https://lobbyist.oico.on.ca/Pages/Public/PublicSearch/SearchResults.aspx>; Six different lobbyists registered for Resolute Forest Products regarding a standing bill called Protection of Public Participation Act in Ontario in 2014. Those lobbyists are listed as Arthur Hamilton, Cameron McKay, William Pristanski, Noble Chummar, Bob Richardson, and Matthew Lombardi.

⁶⁰ Greenpeace Canada. (July 30, 2015). *Letter to Resolute Forest Products* from counsel.

⁶¹ Resolute Forest Products. (2015). *You deserve a voice*. Resolute Forest Products blog post. [Accessed: November 5, 2015] <http://blog.resolutefp.com/2015/08/you-deserve-a-voice/>; Marowits, R. (2015). *Forestry company Resolute launches ad campaign against Greenpeace, ForestEthics*. The Chronicle Journal. [Accessed: November 5, 2015] http://www.chroniclejournals.com/business/national_business/forestry-company-resolute-launches-ad-campaign-against-greenpeace-forestethics/article_1f1fac143-984e-5c66-8f36-f20fda9d47e.html

⁶² Kuitenbrouwer, P. (2015) *Battle for the Boreal*. National Post website. [Accessed: December 4, 2015] <http://business.financialpost.com/features/battle-for-the-boreal-for-est-2>

⁶³ CBC News. (2014). *Resolute sues Rainforest Alliance over ‘biased’ audit*. CBC News website. [Accessed: November 5, 2015] <http://www.cbc.ca/news/canada/thunder-bay/resolute-sues-rainforest-alliance-over-biased-audit-1.2648096>

⁶⁴ Resolute FP v. Rainforest Alliance, Inc., Rainforest Alliance Canada, Christine Korol, and Chris Wedeles 2014 Ontario, CV-2014-171, Ontario Superior Court of Justice.

⁶⁵ Delean, P. (2014). *Resolute Forest alleges bias against Rainforest Alliance before release of negative audit*. Montreal Gazette website. [Accessed: November 5, 2015] <http://montrealgazette.com/business/resolute-forest-alleges-bias-against-rainforest-alliance-before-release-of-negative-audit>

⁶⁶ Ibid.

Conclusion

This briefing note concerns Resolute's unsustainable management practices in Canada's Boreal Forest. Major provincial, national and international environmental organizations are not able and/or are unwilling to collaborate or partner with Resolute because of its unsustainable practices, its litigious nature, and approach to collaboration. Rather than seek compromise with critics who would hold the company to account for unsustainable forest practices, it has brought lawsuits against them.

Resolute's current FSC certificate suspension and terminations represent an actual or potential loss of a key sustainability marker for more than 6 million hectares. Resolute has seen decreased business with a number of strategic customers, including very high profile companies, due in part to the suspension and termination of FSC certificates and decrease in social license. The company's losses are estimated at over C\$100 million.

Investors should be interested in understanding what steps Resolute is taking to assess and address these business risks.

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A good reputation takes work not forest destruction

Blogpost by Richard Brooks - March 24, 2016 at 7:31

This blog post was originally published on February 22nd 2016

It's been a difficult couple of weeks for [Resolute Forest Products](#) – the company at the heart of forest destruction in the Endangered Forest areas in Ontario and Quebec.

After announcing a loss of [\\$214 million dollars](#) and a big drop in overall sales during its latest financial earnings call and resultant dive in its share price, the company lost a unique chance to salvage its floundering reputation as a 'responsible' logging company.

Since early 2014, the company has had 4 of its critical Forest Stewardship Council (FSC) certificates suspended, covering more than 8 million hectares of forest. These certificates, globally recognized, attest that a company is practicing responsible forestry and are a key marketing tool. They are a very important way for a company to differentiate themselves from their competitors and are actually key to securing contracts with big paper and lumber users that require or prefer FSC certification.

Two of these four FSC certificates have been terminated, covering massive areas of forest in both Ontario and Quebec. With controversy surrounding the company only mounting, in November, the FSC International stepped in, proposing a [mediation process](#) to try to solve the crisis facing Resolute and to tackle solutions to protect forests and support communities. Though this mediation quickly received widespread support from First Nations, worker's unions, environmental organizations, even the Quebec government, Resolute seemed to balked at the mediation proposal. They [punted back](#) to the provincial government and went so far as to suggest an industry wide mediation, effectively ducking behind their peers.

Facing an impasse with Resolute and a seemingly unwilling participant, on February 4, FSC [withdrew](#) its proposal for mediation. Kim Carstensen, Director General, FSC International stated "There were no signs that Resolute is willing to engage in efforts to resolve the problems they pointed out so eloquently. This confirms the consistent, negative signals we are receiving from Resolute, and for this reason, FSC is abandoning the idea of a mediation process involving Resolute Forest Products". The issue received widespread media [coverage](#) – again not great for the company's reputation.

As a next step, the FSC indicated it would examine the company's membership at the organization's next Board meeting in March.

Workers' union [CSN](#) criticized the company's management saying the company should put its energy into regaining its certificates rather than engaging in a useless war against the FSC. Resolute didn't listen to its workers though - it chose rather to spend its energy using a strange [red pen](#) to mark up FSC's media release. An odd and antagonistic approach if one is sincerely looking to salvage a relationship with the FSC.

Perhaps it is time to move beyond the lawsuits, the expensive ad campaigns, the red pens and embrace the many calls to [sit down](#), get creative and find [solutions](#) to end the destruction of forests, regain FSC certificates and support viable, stable communities?

Ask Resolute to take a [#StandForForests](#)

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23 March 2016

Dear Ms Mathis and Mr Kraut

Greenpeace is committed to protecting healthy ecosystems around the world, including the forests of Canada. The Canadian Boreal forest holds over 200 billion metric tons of carbon and one quarter of the world's wetlands. It is home to iconic and endangered species, as well as First Nation communities. And this critical global resource faces enormous pressure in the face of industrial activities including logging for pulp, paper, lumber and other forest products.

I am writing to you today about Canada's forests because we have reason to believe you may be sourcing from **Resolute Forest Products**, a logging company at the heart of the controversy related to forest destruction in the Endangered Forests of Quebec and Ontario. This would go directly against McGraw Hill Education's [commitment to sustainability](#), which states "What makes a company responsible? At McGraw-Hill Education, we believe it is a commitment to transparency, integrity and sustainability. These core values guide all our efforts... our dedication to protecting the environment..."

A critically important area of the Canadian Boreal forest, the *Montagnes Blanches Endangered Forest* has been in the public spotlight for some time because of the ongoing loss of intact forests and decline of the endangered woodland caribou. Attached is an in-depth briefing on the current state of the *Montagnes Blanches* in northern Quebec.

We strongly urge you to read this report. The *Montagnes Blanches* is a critical battleground for the health of the Boreal forest because of the operations of one company in particular, Resolute Forest Products. In 2014 the internationally respected Forest Stewardship Council (FSC) [suspended or terminated](#) two of the certificates held in this area by Resolute Forest Products for failure to maintain Indigenous rights and failure to conserve threatened species habitat, among other things.

The situation for this forest is now at an acute impasse with Resolute [unwilling](#) to be involved a mediation process proposed by FSC to develop sustainable solutions among producers, First Nations and environmental groups.

You can read more about this in detail here: <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/resolute-faces-threat-of-expulsion-from-forest-council/article28562715/>

Resolute's [unwillingness](#) to engage in a process supported by [environmental NGOs](#), [unions](#), [impacted First Nations](#) and [political organizations](#), coupled with ongoing Resolute attacks on the system, has now lead FSC [to abandon its proposal and propose the expulsion of Resolute from FSC membership](#).

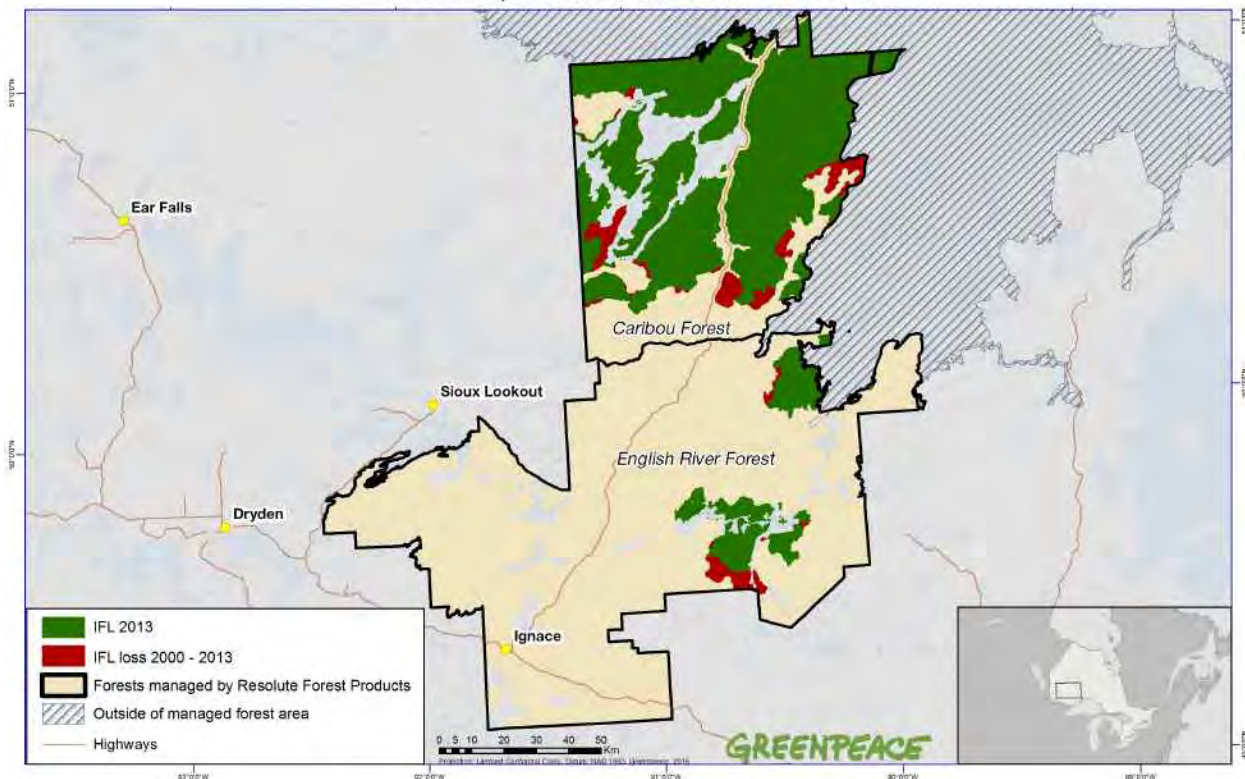
In the face of this growing controversy, Greenpeace's attached report examines what is happening on the ground – specifically the environmental impact of current logging on this unique area. We also outline some of the solutions available to conserving its long term health while supporting local



communities. These solutions include implementing the best available science, respecting First Nations governments and knowledge, and regaining FSC certification.

It is important to note that it is not just in Quebec that Resolute is logging unsustainably. The map below shows degradation of intact forests between 2000 and 2013 in forests managed by Resolute in Ontario. Over this short time period, 7% of the intact forests in these areas have been lost. By continuing to manage this area without science-based conservation measures, Resolute is actively contributing to the loss of intact forests and woodland caribou habitat.

Loss of Intact Forests Inside Forests Managed by Resolute Forest Products. Ontario, Canada. 2000 – 2013.



Note: [Intact Forest Landscapes \(IFLs\)](#) are defined as unbroken expanses of natural forest ecosystems showing no signs of significant human activity, and large enough (minimum 500km² or 123 000 acres) that all native biodiversity, including viable populations of wide-ranging species, can be maintained.

Those companies buying pulp, paper or timber from the regions above, and especially from Resolute, also have a crucial role to play in addressing the challenge facing the future of this forest. The first step is to investigate your supply chains for links to Resolute Forest Products and then determine and communicate your sustainability expectations. If your company does not want to be associated with Resolute's controversial logging that threatens endangered species and old growth forests, we urge you to identify alternative suppliers, including in the Canadian Boreal, who can meet your expectations and safeguard the future of the forest.



As we have seen most [recently in the Great Bear Rainforest announcements](#), customer support for First Nations, provincial governments and environmental organizations is a key ingredient in successful solutions to healthy ecosystems, prosperous communities and a sustainable forest product supply.

If you have any questions about the contents of this report, please do not hesitate to contact me. I look forward to working with you and your company on ensuring sustainable supply chains and solutions for customers and others in the Canadian Boreal forest.

Yours sincerely

A handwritten signature in black ink, reading "Amy Moas". The signature is fluid and cursive, with the first name "Amy" and last name "Moas" clearly distinguishable.

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Endangered Forests in the Balance : the impact of logging reaches new heights in the Montagnes Blanches endangered Forest

Publication - February 11, 2016

Located 700 kilometres north of Montreal, the Montagnes Blanches ("White Mountains") Endangered Forest, encompasses some of the most important Intact Forest Landscapes remaining in Canada's managed Boreal Forest.

At more than 2.3 million hectares (5.7 million acres, an area equivalent to the State of Vermont), this Endangered Forest is a sanctuary for woodland caribou, a species designated as threatened under Canada's Species at Risk Act. This forest has high conservation and cultural value, is largely unprotected, and has been a key focus of conservation organizations for many years due to threats posed to its unique features by industrial logging.

Between 2000 and 2013, according to an analysis of satellite data, nearly 50% of the Intact Forest Landscapes in the Montagne Blanches Endangered Forest have been lost or degraded.

In order to preserve the globally important values of this area, including its significant carbon stores, wildlife habitat and cultural landscapes, this Endangered Forest needs to be better protected and managed sustainably. Forest Stewardship Council (FSC) certification, complemented by a robust system of protected areas and Indigenous managed and established 'tribal' parks, presents an economically viable and socially responsible pathway to preventing further degradation.

This briefing first examines the impact of current and recent forestry operations on caribou habitat and Intact Forest Landscapes in the Montagnes Blanches Endangered Forest. It then outlines what steps should be taken for long-term solutions in the area and what role forest product customers must play.

GP-MontagnesBlanches-Update



UPDATE FEBRUARY 2016

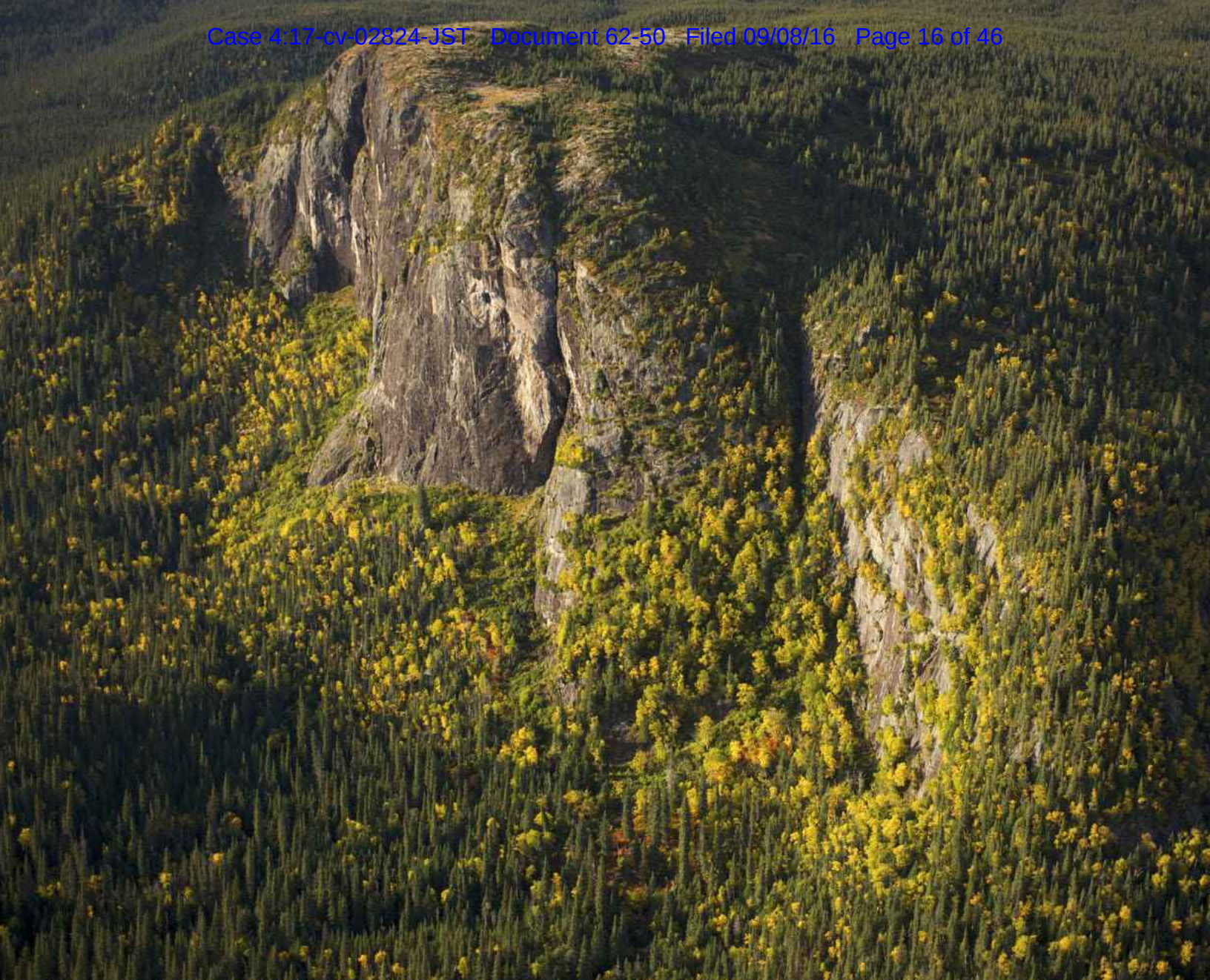
Endangered Forests in the Balance

The impact of logging reaches new heights in the Montagnes Blanches Endangered Forest

GREENPEACE

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The Montagnes Blanches Endangered Forest



UPDATE FEBRUARY 2016

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The Montagnes Blanches Endangered Forest



Map of the Montagnes Blanches Endangered Forest within Quebec

- Montagnes Blanches Endangered Forest
- Forest allocated to the logging industry

ⁱ Endangered Forests are unique, intact, or ecologically critical forests found in ecosystems around the world. Not all Endangered Forests are necessarily facing imminent extinction or complete degradation; however, due to the threats posed by one or more stressors (climate change, industrial use, urbanization, etc.), they are in danger of losing their ability to function as complete and intact, natural ecosystems, and thereby to continue supporting numerous species and essential ecological processes. Vulnerable forests of high ecological value that require protection to maintain these values are what characterize Endangered Forests.

Greenpeace and other conservation organizations developed a set of common criteria to define Endangered Forests. The term Endangered Forest is recognized by companies and governments in purchasing policies designed to prevent ancient forest destruction. See for example: Lowes, Kimberly-Clark and Hewlett-Packard.

Located 700 kilometres north of Montreal, the Montagnes Blanches (“White Mountains”) Endangered Forest^{1,i} encompasses some of the most important Intact Forest Landscapes remaining in Canada’s managed Boreal Forest.

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Resolute Forest Products' central role and stalled solutions

Timber, paper, and pulp giant Resolute Forest Products' logging operations are central to the fate of the Montagnes Blanches Endangered Forest. Five of the company's sawmills and four of its pulp and paper mills^{3,ii} operate using wood from Forest Management Units (FMUs) overlapping or neighbouring the Montagnes Blanches Endangered Forest.ⁱⁱⁱ With over 2 million cubic meters of wood (848 million board feet) allocated to Resolute in 2015 (see graph, right), the logging giant has the largest wood allocations in the region of Saguenay–Lac-Saint-Jean.⁴ Moreover, in 2013–2014, Resolute successfully bid on approximately 175,000 m³ of wood from 2200 hectares located directly within the Montagnes Blanches Endangered Forest.⁵ Logging in these areas will likely have a significant impact on the intactness of the Endangered Forest.

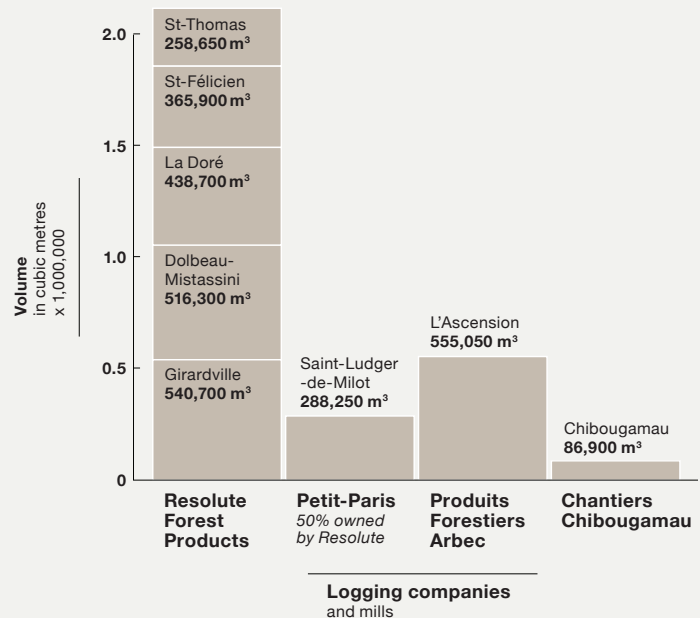
Until recently, Resolute held FSC certificates for logging operations in several of the Forest Management Units overlapping the Montagnes Blanches (FMUs 24-51, 25-51, 27-51 overlap with this Endangered Forest). Unfortunately, independent auditors found that within 6 million hectares covered by two FSC certificates, Resolute failed to meet many of the elements of the FSC National Boreal Standard. These non-compliances led to the suspension of one certificate (called the Lac St-Jean certificate) and the suspension and eventually the termination of another (the Mistassini–Pérignon certificate).^{6,iv} The auditors noted shortcomings in regards to woodland caribou habitat protection, the maintenance of old-growth areas and high conservation value forests, and disputes with Indigenous Peoples, amongst others.⁷ Directly east of those FMUs, another logging operator has also seen its FSC certificate suspended. In April 2015, Arbec/Remabec lost its FSC certificate covering FMU 24-52, which also overlaps a portion of the Montagnes Blanches Endangered Forest, for failing to secure consent from the Innu First Nation.⁸ Media reports indicate that the loss of this certificate has impacted Resolute's Alma mill, which was receiving FSC certified wood chips from Arbec to meet customer requests for FSC certified paper.⁹

Previously, there had been hope that work under the Canadian Boreal Forest Agreement would address threats posed by industrial logging in this area. However, talks between remaining environmental organisations (Greenpeace and others are no longer signatories) and Resolute broke down in 2013 as a result of the company's unwillingness to do "the minimum that the science says is required to protect our forests and the threatened caribou that call them home."¹⁰

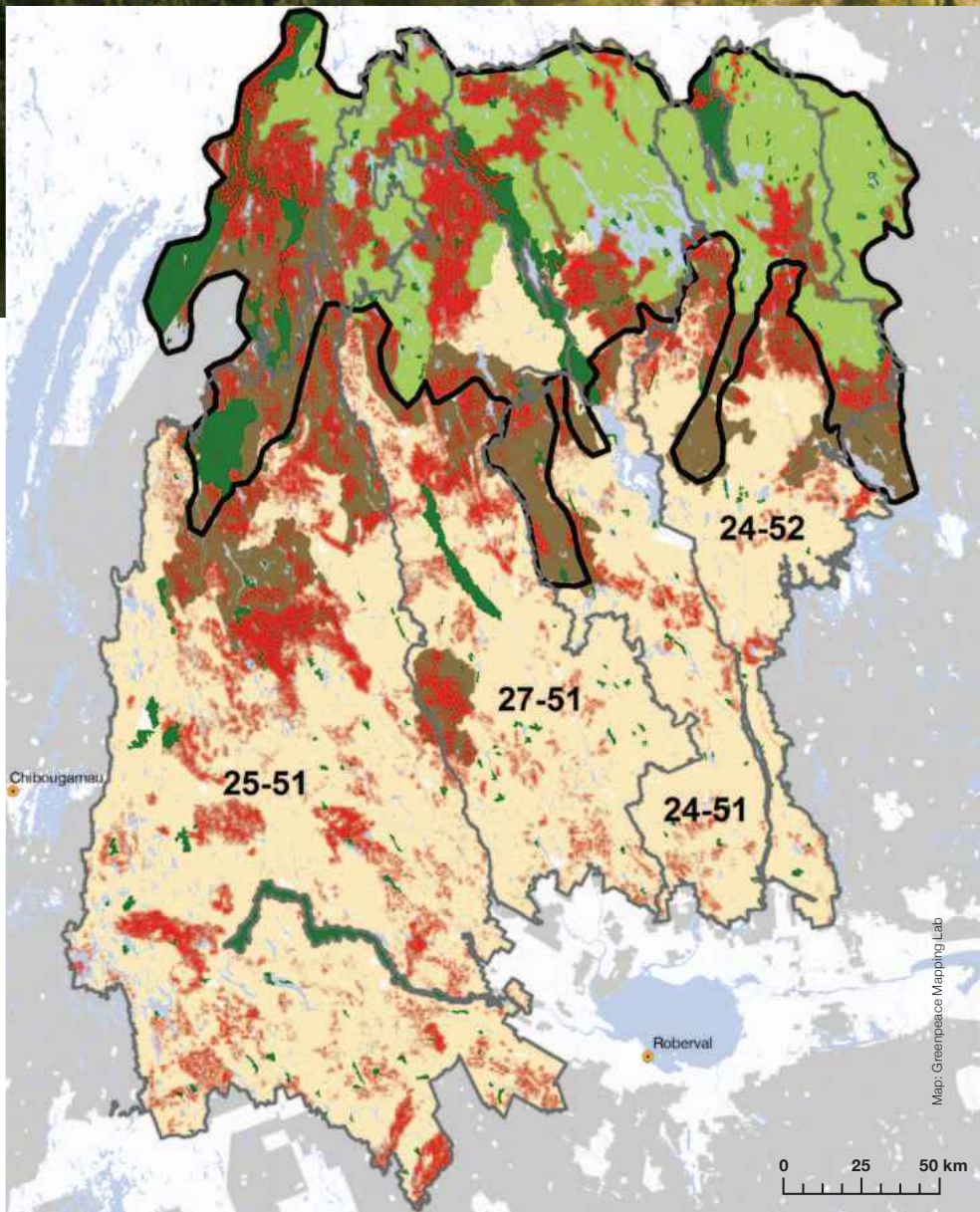
Any long-term solution for the Montagnes Blanches Endangered Forest will include FSC certification for forestry operations occurring there. As the primary operator in this Endangered Forest, Resolute must look to regain its FSC certificates. Arbec/Remabec should do so as well.

Main logging companies and sawmills operating in or near the Montagnes Blanches Endangered Forest

Several Quebec Forest Management Units where different logging companies have wood allocations for pulp, paper and lumber products overlap the Montagnes Blanches Endangered Forest. The graph below shows the main mills sourcing from the FMUs overlapping or close to the Montagnes Blanches Endangered Forest.¹¹



- ii Resolute's sawmills operating in the Saguenay–Lac-Saint-Jean region in 2015 include Dolbeau–Mistassini, Girardville, Saint-Félicien, La Doré and Saint-Thomas. Resolute's pulp and paper mills operating in the Saguenay–Lac-Saint-Jean region in 2015 include Alma, Dolbeau–Mistassini, Saint-Félicien and Kénogami.
- iii Quebec's provincial forests are broken down into area-defined Forest Management Units (FMUs) for forestry planning purposes. The Saguenay–Lac-Saint-Jean region of Quebec (Administrative Region 02), where Resolute is the most active, is divided into seven FMUs. The main FMUs overlapping the Montagnes Blanches Endangered Forest are 24-51, 24-52, 25-51 and 27-51. The other FMUs not overlapping the Montagnes Blanches are 22-51, 23-51 and 23-52.
- iv In Quebec's Saguenay–Lac-Saint-Jean region, 13 major non-conformances led to the suspension of the "Lac St-Jean" certificate (RA-FM/COC-005956) and the suspension of the "Mistassini–Pérignon" certificate (RA-FM/COC-004525). The latter certificate was terminated in December 2014.



Status of forests
in the Saguenay-
Lac-Saint-Jean
Region¹²

- Montagnes Blanches Endangered Forest
- Tree cover loss 2000–2013
- Protected areas
- Intact forests in 2013
- Intact forests degraded since 2000
- Main Forest Management Units
- Commercial forest



What is an Intact Forest Landscape (IFL)?

The term Intact Forest Landscape (IFL) is well recognized in scientific literature¹³ and certification standards,¹⁴ as well as within the supply chains and policies of major forest product companies.¹⁵ IFLs are defined as unbroken expanses of natural forest ecosystems showing no signs of significant human activity, and large enough (minimum 500km² or 123 000 acres) that all native biodiversity, including viable populations of wide-ranging species, can be maintained.¹⁶ In addition to playing a critical role in maintaining biodiversity, intact forests also regulate air and water cycles and store carbon to slow and prevent climate change. Intact Forest Landscapes, such as those in the Montagnes Blanches Endangered Forest, very often overlap with the traditional territories (or Indigenous Cultural Landscapes) of Indigenous Peoples, who have inhabited and shaped the landscape for thousands of years.

Canada leads the world in IFL loss

The primary drivers of IFL loss are clearing and logging, human-ignited forest fires and fragmentation by disturbance and infrastructure. New data published in 2014 revealed that Canada leads the world in loss of intact forests, with 21% of intact forest loss worldwide between 2000 and 2013 occurring in Canada.¹⁷

“None of the units analyzed [in the Saguenay–Lac-Saint-Jean region] have long-term disturbance rates that will allow caribou populations to be self-sustaining.”

—Chief Forester, 2014.²⁰

From 2000 to 2013, nearly half of all intact forests within the Montagnes Blanches Endangered Forest have been lost due to logging and road building

Significant loss of Intact Forest Landscapes in the Montagnes Blanches

Intact Forest Landscapes in the Montagnes Blanches have incurred significant loss between 2000 and 2013.^{18,i} Recent satellite imagery from the University of Maryland, the World Resources Institute and Global Forest Watch,¹⁹ analyzed by Greenpeace's GIS Lab, revealed that between 2000 and 2013, logging, road building, and other industrial development led to a loss of nearly half of the intact forest cover in the Montagnes Blanches Endangered Forest. This means that more than 1.05 million hectares of IFLs have been logged or fragmented over the course of 13 years.

Analysis of the the four main FMUs overlapping the Montagnes Blanches, where most wood volumes are allocated (FMUs 24-51, 24-52, 25-51, and 27-51), reveals an even greater amount of intact forest has been degraded, totalling more than 1.2 million hectares (3 million acres), equivalent to ten times the area of New York City.

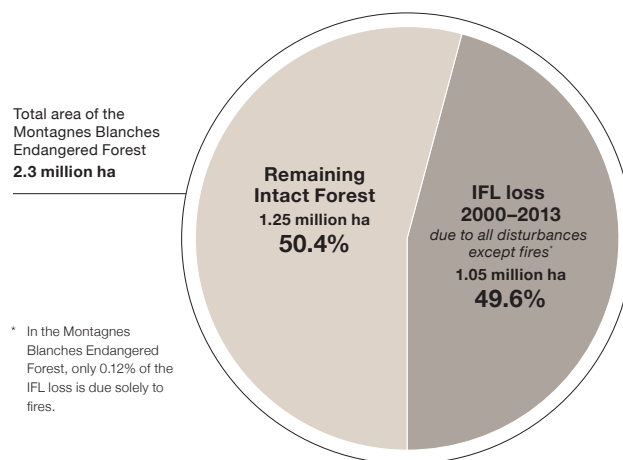
Consequences of Intact Forest Landscape loss in the Montagnes Blanches

Forest degradation on this scale endangers both ecosystem functions and biodiversity. In the Montagnes Blanches, the most immediate and tangible impact is increased disturbance to the habitat range of the woodland caribou.

The Boreal Forest's most iconic animal and a key indicator species for overall forest health, the woodland caribou, requires large areas of relatively intact, old-growth forest to survive. The remaining undisturbed woodland caribou ranges in the Canadian Boreal Region for the most part overlap remaining IFLs.²¹ According to Canada's federal government environmental agency (Environment Canada), at least 65% of a woodland caribou herd's range needs to remain undisturbed for the herd to have a fighting chance of survival.²²

i Due to ongoing degradation of these intact forest areas, the original boundaries of the Montagnes Blanches hotspot set in 2010 in Greenpeace's Boreal Refuge report were slightly modified in order to recognize the impact of recent development, the loss of Intact Forest Landscapes and the impact on ecological values that lay in a broader forest landscape. Unfortunately, the integrity of the Montagnes Blanches Endangered Forest identified in Greenpeace's Boreal Alarm report in 2013 has continued to be impacted, experiencing further degradation.

Loss of Intact Forest Landscapes in the Montagnes Blanches Endangered Forest from 2000 to 2013



A recent independent report by Quebec's Chief Forester,ⁱⁱ released in May 2015, documented the significant disturbance of caribou herd ranges and declining populations associated with this disturbance. In one specific area, the Saguenay-Lac-Saint-Jean region, which overlaps much of the Montagnes Blanches Endangered Forest, the Chief Forester concluded that 92% of the region's critical caribou habitat had been greatly disturbed and therefore cannot support healthy and self-sustaining caribou populations under current conditions.²³ In other words, in the ongoing absence of science-based conservation measures, products sourced from this area risk accelerating the decline of the threatened woodland caribou. The Pekuakamiulnuatsh First Nation's own action plan for the protection of this species, based on their millennia of knowledge, was provided to the Quebec government in May of 2015²⁴ and will be an essential contribution to the growing and robust body of scientific knowledge.

ii Quebec's Chief Forester is an independent nonpartisan office created by the Quebec government following a public inquiry over forest mismanagement. The Chief Forester answers to Quebec's Ministry of Forests, Fauna and Parks. Its primary mandate is to evaluate the provincial annual allowable cut and state of forests.

State of caribou herds within the Montagnes Blanches Endangered Forest²⁹

Herd	Estimated Population Size		Disturbed Range (%)		
			Human disturbance	Fire disturbance	Total range disturbed*
Pipmuacan	134 (2011)		51	11	59
Manouane	358 (2011)		23	18	39
Manicouagan	181 (2011)		32	3	33
Témiscamie	96 (2002)	29 (2012)	35.6 (roads only)	(unknown)	46

* Total range disturbed does not necessarily equal the sum of human and natural disturbances due to overlap between these disturbances.

Of the four caribou herds whose ranges, in whole or in part, overlap with the Montagnes Blanches Endangered Forest (Pipmuacan, Manouane, Manicouagan, and Témiscamie herds), three have populations below 200 individuals.²⁵ Between 2002 and 2012, the Témiscamie herd numbers fell from 96 to a perilously low 29 individuals.²⁶

Nonetheless in 2015, many of the logging plans developed by the Quebec government overlapped with critical caribou habitat.²⁷ For example, the Quebec government granted Resolute the right to cut more than 2 million cubic metres of wood in the region,²⁸ despite warnings by the Chief Forester that logging as usual is threatening caribou populations.

Major gaps in forest protection around the Montagnes Blanches

Protected areas are legislated and regulated zones that are off-limits to industrial logging and other associated uses, including roads. As part of the United Nations Convention on Biological Diversity, many countries (including Canada) set a target to establish protected areas covering 17% of their land base.³⁰ Quebec committed to 17% protection by 2020 with a milestone of 12% protected by the end of 2015. At time of publication only 9% of Quebec was formally protected.³¹

A large number of scientists state that 50% of the Boreal

Forest Stewardship Council

The Forest Stewardship Council is an independent nonprofit organization established to promote the responsible and sustainable management of the world's forests. The FSC is a voluntary scheme that independently inspects and evaluates forestry operations for sustainability best practices, compliance with local laws, respect for Indigenous peoples' rights, the health, safety and rights of forest workers, and the provision of a wide range of other social benefits. Established more than 20 years ago, the Forest Stewardship Council is the only certification standard widely recognized by environmental organizations to truly mandate responsible forest management. It is the preferred certification for many major purchases of forest products globally.

To acquire and maintain FSC certification, companies must ensure on-the-ground compliance with the FSC National Boreal Standard and these practices are audited by independent firms. Some of the key requirements that companies operating in the Boreal Forest need to pay special attention to include:

- **Acquire free, prior and informed consent from First Nations before any operations on the ground**
- **Ensure adequate protection for species at risk, such as woodland caribou and their habitat**
- **Avoid fragmentation and degradation of High Conservation Value Forests, including Intact Forest Landscapes**
- **Maintain old-growth forests in proportions comparable to natural levels**
- **Ensure that harvesting levels do not compromise conservation measures**

Failing to meeting these requirements can lead to auditors issuing major non-conformances. Where the certificate holder fails or is unwilling to adjust operations within the timeframe set by the FSC and auditors, certificate suspension and terminations will result.

Forest should be protected from development to ensure a resilient forest in the future for species, communities and economies.³² Worryingly, less than 5% of the area of the main forest management units overlapping the Montagnes Blanches Endangered Forest is protected.³³ This lack of protection explains in part why woodland caribou herds are at risk as disturbance of their critical habitat continues.

Customer action vital for forest solutions and business certainty

The stark loss of Intact Forest Landscapes and caribou habitat, the lack of adequate forest protection and the suspension or termination of FSC certificates in the Montagnes Blanches area signals to customers of Boreal Forest products that all is not well in this region. Customers should establish and implement a clear procurement policy for all pulp, paper and lumber supplies that addresses these and other sustainability issues. Forest products customers have been, and continue to be, a key part of the solution for forests like the Montagnes Blanches and to the creation of a sustainable supply of controversy-free forest products.

There are forest products companies willing to create credible science-based conservation plans that respect and support Indigenous rights and interests. Greenpeace collaborates with many of these leaders around the world, in regions such as in the Great Bear Rainforest³⁴ and the Brazilian Amazon, to create real change in a meaningful timeframe.³⁵ Together, we are both following the science and doing what is right for the ecology of the forests while at the same time supporting healthy communities, respecting Indigenous rights, and ensuring those forests support viable economies that the marketplace will recognize.

Steps for Boreal Forest customers

Customers are part of the solution and can communicate to suppliers operating and sourcing from the Montagnes Blanches, including Resolute Forest Products, that compliance with customer procurement policies and engagement in collaborative solutions processes supported by First Nations and provincial governments is expected. All companies sourcing forest products from the Boreal Forest should:

- **Investigate supply chains** for connections to the Montagnes Blanches Endangered Forest and logging companies such as Resolute Forest Products.
- **Communicate your intention** to only purchase **sustainable** pulp, paper, and lumber. Ask suppliers such as Resolute Forest Products for a clear plan to address the above shortcomings in collaboration with key stakeholders and impacted Indigenous governments. This should be verified, in part, by the recovery of FSC certificates in both Quebec and Ontario.
- **Seek alternative suppliers**, including from sustainable companies in the Canadian Boreal Forest, if Resolute and other suppliers are unwilling to meet these expectations.
- **Actively support the provincial and First Nations governments** mandating a well-defined, time delineated, multistakeholder process to craft equitable solutions for the Montagnes Blanches Endangered Forest.

Solutions are within reach for Resolute

To eliminate controversy and regain the trust of the marketplace, customers should expect the company to:

- **Suspend operations in remaining critical caribou habitat and Intact Forest Landscapes** pending the implementation of a solutions process.
- **Engage in a solutions process and implement science and Indigenous knowledge-based conservation planning** for operations in the Montagnes Blanches Endangered Forest. Do so within a formal mandate from Indigenous and provincial governments, in collaboration with workers' unions and environmental organizations.
- **Ensure Free, Prior and Informed Consent of Indigenous Peoples and respect of Indigenous Rights and Title** for any activities on First Nations traditional territories overlapping the Montagnes Blanches Endangered Forest.
- **Regain FSC certificates** in all FMUs overlapping the Montagnes Blanches Endangered Forest.

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Endangered Forests in the Balance : the impact of logging reaches new heights in the Montagnes Blanches endangered Forest

Publication - February 11, 2016

Located 700 kilometres north of Montreal, the Montagnes Blanches ("White Mountains") Endangered Forest, encompasses some of the most important Intact Forest Landscapes remaining in Canada's managed Boreal Forest.

At more than 2.3 million hectares (5.7 million acres, an area equivalent to the State of Vermont), this Endangered Forest is a sanctuary for woodland caribou, a species designated as threatened under Canada's Species at Risk Act. This forest has high conservation and cultural value, is largely unprotected, and has been a key focus of conservation organizations for many years due to threats posed to its unique features by industrial logging.

Between 2000 and 2013, according to an analysis of satellite data, nearly 50% of the Intact Forest Landscapes in the Montagne Blanches Endangered Forest have been lost or degraded.

In order to preserve the globally important values of this area, including its significant carbon stores, wildlife habitat and cultural landscapes, this Endangered Forest needs to be better protected and managed sustainably. Forest Stewardship Council (FSC) certification, complemented by a robust system of protected areas and Indigenous managed and established 'tribal' parks, presents an economically viable and socially responsible pathway to preventing further degradation.

This briefing first examines the impact of current and recent forestry operations on caribou habitat and Intact Forest Landscapes in the Montagnes Blanches Endangered Forest. It then outlines what steps should be taken for long-term solutions in the area and what role forest product customers must play.

GP-MontagnesBlanches-Update



UPDATE FEBRUARY 2016

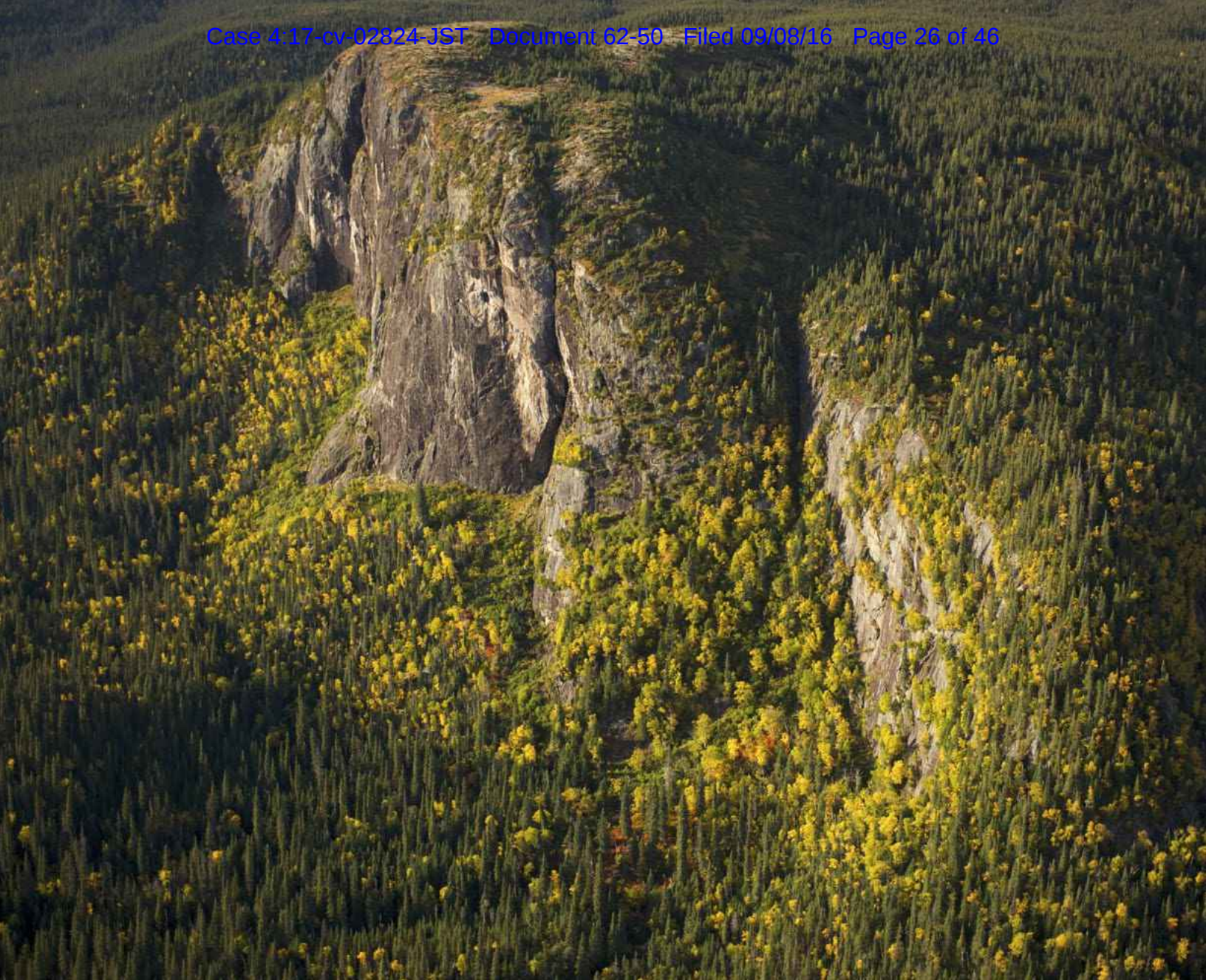
Endangered Forests in the Balance

The impact of logging reaches new heights in the Montagnes Blanches Endangered Forest

GREENPEACE

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The Montagnes Blanches Endangered Forest



UPDATE FEBRUARY 2016

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The Montagnes Blanches Endangered Forest



Map of the Montagnes Blanches Endangered Forest within Quebec

- Montagnes Blanches Endangered Forest
- Forest allocated to the logging industry

ⁱ Endangered Forests are unique, intact, or ecologically critical forests found in ecosystems around the world. Not all Endangered Forests are necessarily facing imminent extinction or complete degradation; however, due to the threats posed by one or more stressors (climate change, industrial use, urbanization, etc.), they are in danger of losing their ability to function as complete and intact, natural ecosystems, and thereby to continue supporting numerous species and essential ecological processes. Vulnerable forests of high ecological value that require protection to maintain these values are what characterize Endangered Forests.

Greenpeace and other conservation organizations developed a set of common criteria to define Endangered Forests. The term Endangered Forest is recognized by companies and governments in purchasing policies designed to prevent ancient forest destruction. See for example: Lowes, Kimberly-Clark and Hewlett-Packard.

Located 700 kilometres north of Montreal, the Montagnes Blanches (“White Mountains”) Endangered Forest^{1,i} encompasses some of the most important Intact Forest Landscapes remaining in Canada’s managed Boreal Forest.

At more than 2.3 million hectares (5.7 million acres, an area equivalent to the State of Vermont), this Endangered Forest is a sanctuary for woodland caribou, a species designated as threatened under Canada’s *Species at Risk Act*.² This forest has high conservation and cultural value, is largely unprotected, and has been a key focus of conservation organizations for many years due to threats posed to its unique features by industrial logging.

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Resolute Forest Products' central role and stalled solutions

Timber, paper, and pulp giant Resolute Forest Products' logging operations are central to the fate of the Montagnes Blanches Endangered Forest. Five of the company's sawmills and four of its pulp and paper mills^{3,ii} operate using wood from Forest Management Units (FMUs) overlapping or neighbouring the Montagnes Blanches Endangered Forest.ⁱⁱⁱ With over 2 million cubic meters of wood (848 million board feet) allocated to Resolute in 2015 (see graph, right), the logging giant has the largest wood allocations in the region of Saguenay–Lac-Saint-Jean.⁴ Moreover, in 2013–2014, Resolute successfully bid on approximately 175,000 m³ of wood from 2200 hectares located directly within the Montagnes Blanches Endangered Forest.⁵ Logging in these areas will likely have a significant impact on the intactness of the Endangered Forest.

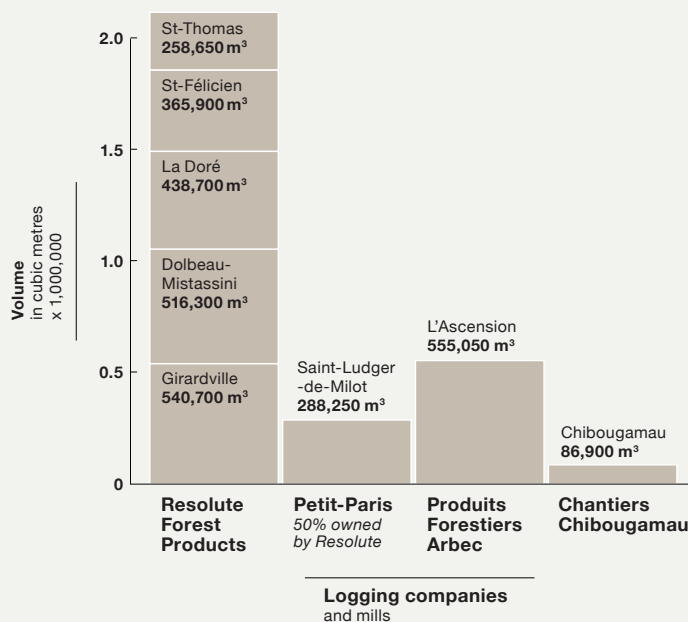
Until recently, Resolute held FSC certificates for logging operations in several of the Forest Management Units overlapping the Montagnes Blanches (FMUs 24-51, 25-51, 27-51 overlap with this Endangered Forest). Unfortunately, independent auditors found that within 6 million hectares covered by two FSC certificates, Resolute failed to meet many of the elements of the FSC National Boreal Standard. These non-compliances led to the suspension of one certificate (called the Lac St-Jean certificate) and the suspension and eventually the termination of another (the Mistassini–Pérignon certificate).^{6,iv} The auditors noted shortcomings in regards to woodland caribou habitat protection, the maintenance of old-growth areas and high conservation value forests, and disputes with Indigenous Peoples, amongst others.⁷ Directly east of those FMUs, another logging operator has also seen its FSC certificate suspended. In April 2015, Arbec/Remabec lost its FSC certificate covering FMU 24-52, which also overlaps a portion of the Montagnes Blanches Endangered Forest, for failing to secure consent from the Innu First Nation.⁸ Media reports indicate that the loss of this certificate has impacted Resolute's Alma mill, which was receiving FSC certified wood chips from Arbec to meet customer requests for FSC certified paper.⁹

Previously, there had been hope that work under the Canadian Boreal Forest Agreement would address threats posed by industrial logging in this area. However, talks between remaining environmental organisations (Greenpeace and others are no longer signatories) and Resolute broke down in 2013 as a result of the company's unwillingness to do "the minimum that the science says is required to protect our forests and the threatened caribou that call them home."¹⁰

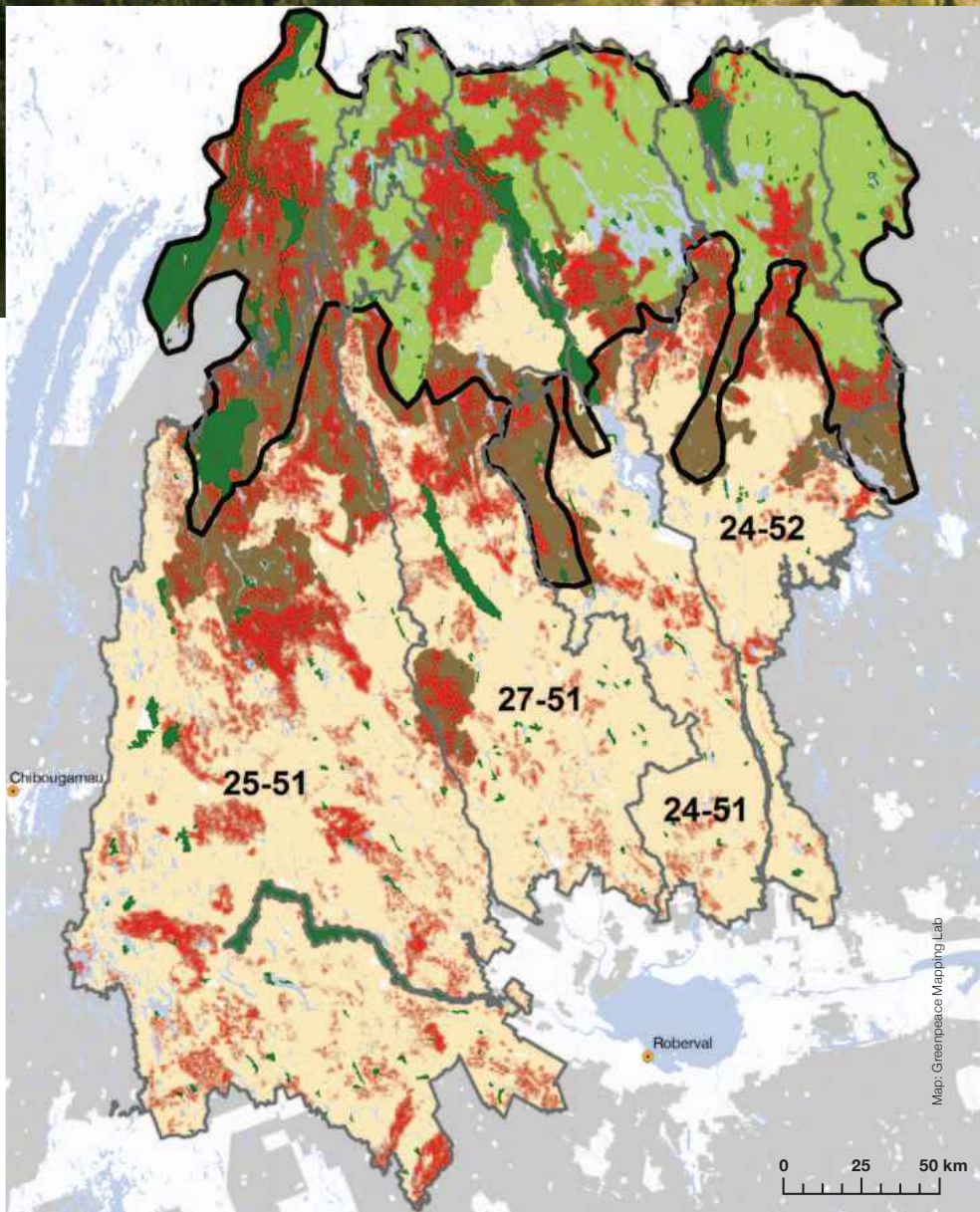
Any long-term solution for the Montagnes Blanches Endangered Forest will include FSC certification for forestry operations occurring there. As the primary operator in this Endangered Forest, Resolute must look to regain its FSC certificates. Arbec/Remabec should do so as well.

Main logging companies and sawmills operating in or near the Montagnes Blanches Endangered Forest

Several Quebec Forest Management Units where different logging companies have wood allocations for pulp, paper and lumber products overlap the Montagnes Blanches Endangered Forest. The graph below shows the main mills sourcing from the FMUs overlapping or close to the Montagnes Blanches Endangered Forest.¹¹



- ii Resolute's sawmills operating in the Saguenay–Lac-Saint-Jean region in 2015 include Dolbeau–Mistassini, Girardville, Saint-Félicien, La Doré and Saint-Thomas. Resolute's pulp and paper mills operating in the Saguenay–Lac-Saint-Jean region in 2015 include Alma, Dolbeau–Mistassini, Saint-Félicien and Kénogami.
- iii Quebec's provincial forests are broken down into area-defined Forest Management Units (FMUs) for forestry planning purposes. The Saguenay–Lac-Saint-Jean region of Quebec (Administrative Region 02), where Resolute is the most active, is divided into seven FMUs. The main FMUs overlapping the Montagnes Blanches Endangered Forest are 24-51, 24-52, 25-51 and 27-51. The other FMUs not overlapping the Montagnes Blanches are 22-51, 23-51 and 23-52.
- iv In Quebec's Saguenay–Lac-Saint-Jean region, 13 major non-conformances led to the suspension of the "Lac St-Jean" certificate (RA-FM/COC-005956) and the suspension of the "Mistassini–Pérignon" certificate (RA-FM/COC-004525). The latter certificate was terminated in December 2014.



Status of forests
in the Saguenay–
Lac-Saint-Jean
Region¹²



What is an Intact Forest Landscape (IFL)?

The term Intact Forest Landscape (IFL) is well recognized in scientific literature¹³ and certification standards,¹⁴ as well as within the supply chains and policies of major forest product companies.¹⁵ IFLs are defined as unbroken expanses of natural forest ecosystems showing no signs of significant human activity, and large enough (minimum 500km² or 123 000 acres) that all native biodiversity, including viable populations of wide-ranging species, can be maintained.¹⁶ In addition to playing a critical role in maintaining biodiversity, intact forests also regulate air and water cycles and store carbon to slow and prevent climate change. Intact Forest Landscapes, such as those in the Montagnes Blanches Endangered Forest, very often overlap with the traditional territories (or Indigenous Cultural Landscapes) of Indigenous Peoples, who have inhabited and shaped the landscape for thousands of years.

Canada leads the world in IFL loss

The primary drivers of IFL loss are clearing and logging, human-ignited forest fires and fragmentation by disturbance and infrastructure. New data published in 2014 revealed that Canada leads the world in loss of intact forests, with 21% of intact forest loss worldwide between 2000 and 2013 occurring in Canada.¹⁷

“None of the units analyzed [in the Saguenay–Lac-Saint-Jean region] have long-term disturbance rates that will allow caribou populations to be self-sustaining.”

—Chief Forester, 2014.²⁰

From 2000 to 2013, nearly half of all intact forests within the Montagnes Blanches Endangered Forest have been lost due to logging and road building

Significant loss of Intact Forest Landscapes in the Montagnes Blanches

Intact Forest Landscapes in the Montagnes Blanches have incurred significant loss between 2000 and 2013.^{18,i} Recent satellite imagery from the University of Maryland, the World Resources Institute and Global Forest Watch,¹⁹ analyzed by Greenpeace's GIS Lab, revealed that between 2000 and 2013, logging, road building, and other industrial development led to a loss of nearly half of the intact forest cover in the Montagnes Blanches Endangered Forest. This means that more than 1.05 million hectares of IFLs have been logged or fragmented over the course of 13 years.

Analysis of the the four main FMUs overlapping the Montagnes Blanches, where most wood volumes are allocated (FMUs 24-51, 24-52, 25-51, and 27-51), reveals an even greater amount of intact forest has been degraded, totalling more than 1.2 million hectares (3 million acres), equivalent to ten times the area of New York City.

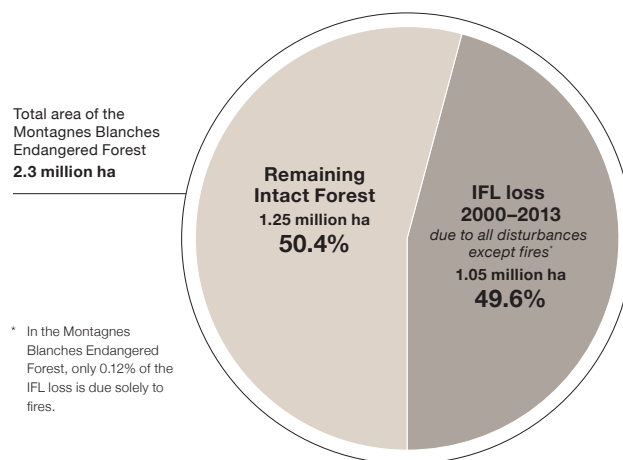
Consequences of Intact Forest Landscape loss in the Montagnes Blanches

Forest degradation on this scale endangers both ecosystem functions and biodiversity. In the Montagnes Blanches, the most immediate and tangible impact is increased disturbance to the habitat range of the woodland caribou.

The Boreal Forest's most iconic animal and a key indicator species for overall forest health, the woodland caribou, requires large areas of relatively intact, old-growth forest to survive. The remaining undisturbed woodland caribou ranges in the Canadian Boreal Region for the most part overlap remaining IFLs.²¹ According to Canada's federal government environmental agency (Environment Canada), at least 65% of a woodland caribou herd's range needs to remain undisturbed for the herd to have a fighting chance of survival.²²

i Due to ongoing degradation of these intact forest areas, the original boundaries of the Montagnes Blanches hotspot set in 2010 in Greenpeace's Boreal Refuge report were slightly modified in order to recognize the impact of recent development, the loss of Intact Forest Landscapes and the impact on ecological values that lay in a broader forest landscape. Unfortunately, the integrity of the Montagnes Blanches Endangered Forest identified in Greenpeace's Boreal Alarm report in 2013 has continued to be impacted, experiencing further degradation.

Loss of Intact Forest Landscapes in the Montagnes Blanches Endangered Forest from 2000 to 2013



A recent independent report by Quebec's Chief Forester,ⁱⁱ released in May 2015, documented the significant disturbance of caribou herd ranges and declining populations associated with this disturbance. In one specific area, the Saguenay-Lac-Saint-Jean region, which overlaps much of the Montagnes Blanches Endangered Forest, the Chief Forester concluded that 92% of the region's critical caribou habitat had been greatly disturbed and therefore cannot support healthy and self-sustaining caribou populations under current conditions.²³ In other words, in the ongoing absence of science-based conservation measures, products sourced from this area risk accelerating the decline of the threatened woodland caribou. The Pekuakamiulnuatsh First Nation's own action plan for the protection of this species, based on their millennia of knowledge, was provided to the Quebec government in May of 2015²⁴ and will be an essential contribution to the growing and robust body of scientific knowledge.

ii Quebec's Chief Forester is an independent nonpartisan office created by the Quebec government following a public inquiry over forest mismanagement. The Chief Forester answers to Quebec's Ministry of Forests, Fauna and Parks. Its primary mandate is to evaluate the provincial annual allowable cut and state of forests.

State of caribou herds within the Montagnes Blanches Endangered Forest²⁹

Herd	Estimated Population Size		Disturbed Range (%)		
			Human disturbance	Fire disturbance	Total range disturbed*
Pipmuacan	134 (2011)		51	11	59
Manouane	358 (2011)		23	18	39
Manicouagan	181 (2011)		32	3	33
Témiscamie	96 (2002)	29 (2012)	35.6 (roads only)	(unknown)	46

* Total range disturbed does not necessarily equal the sum of human and natural disturbances due to overlap between these disturbances.

Of the four caribou herds whose ranges, in whole or in part, overlap with the Montagnes Blanches Endangered Forest (Pipmuacan, Manouane, Manicouagan, and Témiscamie herds), three have populations below 200 individuals.²⁵ Between 2002 and 2012, the Témiscamie herd numbers fell from 96 to a perilously low 29 individuals.²⁶

Nonetheless in 2015, many of the logging plans developed by the Quebec government overlapped with critical caribou habitat.²⁷ For example, the Quebec government granted Resolute the right to cut more than 2 million cubic metres of wood in the region,²⁸ despite warnings by the Chief Forester that logging as usual is threatening caribou populations.

Major gaps in forest protection around the Montagnes Blanches

Protected areas are legislated and regulated zones that are off-limits to industrial logging and other associated uses, including roads. As part of the United Nations Convention on Biological Diversity, many countries (including Canada) set a target to establish protected areas covering 17% of their land base.³⁰ Quebec committed to 17% protection by 2020 with a milestone of 12% protected by the end of 2015. At time of publication only 9% of Quebec was formally protected.³¹

A large number of scientists state that 50% of the Boreal

Forest Stewardship Council

The Forest Stewardship Council is an independent nonprofit organization established to promote the responsible and sustainable management of the world's forests. The FSC is a voluntary scheme that independently inspects and evaluates forestry operations for sustainability best practices, compliance with local laws, respect for Indigenous peoples' rights, the health, safety and rights of forest workers, and the provision of a wide range of other social benefits. Established more than 20 years ago, the Forest Stewardship Council is the only certification standard widely recognized by environmental organizations to truly mandate responsible forest management. It is the preferred certification for many major purchases of forest products globally.

To acquire and maintain FSC certification, companies must ensure on-the-ground compliance with the FSC National Boreal Standard and these practices are audited by independent firms. Some of the key requirements that companies operating in the Boreal Forest need to pay special attention to include:

- **Acquire free, prior and informed consent from First Nations before any operations on the ground**
- **Ensure adequate protection for species at risk, such as woodland caribou and their habitat**
- **Avoid fragmentation and degradation of High Conservation Value Forests, including Intact Forest Landscapes**
- **Maintain old-growth forests in proportions comparable to natural levels**
- **Ensure that harvesting levels do not compromise conservation measures**

Failing to meeting these requirements can lead to auditors issuing major non-conformances. Where the certificate holder fails or is unwilling to adjust operations within the timeframe set by the FSC and auditors, certificate suspension and terminations will result.

Forest should be protected from development to ensure a resilient forest in the future for species, communities and economies.³² Worryingly, less than 5% of the area of the main forest management units overlapping the Montagnes Blanches Endangered Forest is protected.³³ This lack of protection explains in part why woodland caribou herds are at risk as disturbance of their critical habitat continues.

Customer action vital for forest solutions and business certainty

The stark loss of Intact Forest Landscapes and caribou habitat, the lack of adequate forest protection and the suspension or termination of FSC certificates in the Montagnes Blanches area signals to customers of Boreal Forest products that all is not well in this region. Customers should establish and implement a clear procurement policy for all pulp, paper and lumber supplies that addresses these and other sustainability issues. Forest products customers have been, and continue to be, a key part of the solution for forests like the Montagnes Blanches and to the creation of a sustainable supply of controversy-free forest products.

There are forest products companies willing to create credible science-based conservation plans that respect and support Indigenous rights and interests. Greenpeace collaborates with many of these leaders around the world, in regions such as in the Great Bear Rainforest³⁴ and the Brazilian Amazon, to create real change in a meaningful timeframe.³⁵ Together, we are both following the science and doing what is right for the ecology of the forests while at the same time supporting healthy communities, respecting Indigenous rights, and ensuring those forests support viable economies that the marketplace will recognize.

Steps for Boreal Forest customers

Customers are part of the solution and can communicate to suppliers operating and sourcing from the Montagnes Blanches, including Resolute Forest Products, that compliance with customer procurement policies and engagement in collaborative solutions processes supported by First Nations and provincial governments is expected. All companies sourcing forest products from the Boreal Forest should:

- **Investigate supply chains** for connections to the Montagnes Blanches Endangered Forest and logging companies such as Resolute Forest Products.
- **Communicate your intention** to only purchase **sustainable** pulp, paper, and lumber. Ask suppliers such as Resolute Forest Products for a clear plan to address the above shortcomings in collaboration with key stakeholders and impacted Indigenous governments. This should be verified, in part, by the recovery of FSC certificates in both Quebec and Ontario.
- **Seek alternative suppliers**, including from sustainable companies in the Canadian Boreal Forest, if Resolute and other suppliers are unwilling to meet these expectations.
- **Actively support the provincial and First Nations governments** mandating a well-defined, time delineated, multistakeholder process to craft equitable solutions for the Montagnes Blanches Endangered Forest.

Solutions are within reach for Resolute

To eliminate controversy and regain the trust of the marketplace, customers should expect the company to:

- **Suspend operations in remaining critical caribou habitat and Intact Forest Landscapes** pending the implementation of a solutions process.
- **Engage in a solutions process and implement science and Indigenous knowledge-based conservation planning** for operations in the Montagnes Blanches Endangered Forest. Do so within a formal mandate from Indigenous and provincial governments, in collaboration with workers' unions and environmental organizations.
- **Ensure Free, Prior and Informed Consent of Indigenous Peoples and respect of Indigenous Rights and Title** for any activities on First Nations traditional territories overlapping the Montagnes Blanches Endangered Forest.
- **Regain FSC certificates** in all FMUs overlapping the Montagnes Blanches Endangered Forest.

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#05

FSC AT RISK

**RESOLUTE FOREST MANAGEMENT:
FSC MUST DO MORE TO PROTECT
INTACT FORESTS, SPECIES AT RISK AND
INDIGENOUS RIGHTS IN CANADA**

May 2014

GREENPEACE

The Forest Stewardship Council (FSC) was founded 20 years ago to promote environmentally sound, socially beneficial and economically viable management of the world's forests, without compromising their health for future generations. Unfortunately, this balance has not been achieved in all FSC-certified forests, particularly in large Intact Forest Landscapes (IFLs).

IFLs are the world's remaining large unfragmented forest areas undisturbed by roads and industrial development.¹ They have extremely important conservation value as they store a disproportionately high amount of global forest carbon, are large enough to sustain their biological diversity, and are critical for the livelihoods of forest-dependent peoples living within and adjacent to them. They are large enough to host both far-ranging top predators as well as other wildlife, and enable many plant and animal species to adapt to climate change. They also provide crucial ecosystem services such as regulating water and nutrient cycles.

The values and ecosystem services that IFLs provide are being exposed to severe and often irreversible damage when fragmented and/or destroyed through continued expansion of industrial logging and its infrastructure. Furthermore, nearly all deforestation begins with logging, road building and fragmentation. As the science on the extent of the vulnerabilities of IFL values to fragmentation is still limited, a precautionary forest management approach must assume the risk of severe or even irreversible damage in every fragmentation situation.

The FSC currently certifies logging that fragments and degrades IFLs, although its Principle 9 requires that management activities in High Conservation Value (HCV) forests maintain or enhance the attributes that define such forests. Unfortunately, the FSC still has no clear guidelines, steps and restrictions for forest management to ensure the maintenance of IFL values.

The FSC urgently needs to adopt clear thresholds for IFL protection to prevent FSC certification of forest management operations that are leading to IFL fragmentation and, ultimately, their loss. At the same time, the FSC should broaden its services to include certification of forest conservation and restoration, protected areas and ecosystem services (e.g. water sources/quality, soil stability, carbon storage), as well as economic opportunities for forest-dependent communities who rely on IFLs. This will help bolster FSC credibility as well as increase FSC's relevance in many regions.



image: Massive clearcuts in the habitat of threatened woodland caribou have been approved by FSC.
© Greenpeace

OTHER CERTIFICATION SYSTEMS

Greenpeace does not believe that other forest certification systems, such as PEFC (The Programme for the Endorsement of Forest Certification), SFI (Sustainable Forestry Initiative) and MTCS (Malaysian Timber Certification Scheme), can ensure responsible forest management. While the FSC faces challenges, we believe that it contains a framework, as well as principles and criteria, that can guarantee socially and ecologically responsible practices if implemented correctly. The other systems lack robust requirements to protect social and ecological values.

image: The pristine Montagnes Blanches forest is one of the few remaining intact forest landscapes (IFLs) in Quebec's forest management zone, and provides critical habitat for the threatened woodland caribou.
© Markus Mauthe / Greenpeace



FSC CERTIFICATES SHOULD NEVER HAVE BEEN APPROVED

This case study highlights some of the formerly FSC-certified forest management operations of Resolute Forest Products that were found to be non-compliant with several FSC Principles and Criteria for well-managed forests. The operations presented a risk to the FSC's reputation and brand, and the FSC system responded by taking the unusual yet appropriate step of suspending the operations' certificates with effect from January 1, 2014. The responsible Certifying Body (CB) suspended the certificates due to unresolved conflict with indigenous peoples, the improper management of habitat of a species at risk and insufficient protection of old-growth forests and intact forests. However, shockingly, wood from these formerly certified areas is entering the FSC wood product stream as Controlled Wood (CW). This highlights serious problems regarding how compliance with FSC's Principle and Criteria forest management standard were originally assessed, a serious gap in FSC IFLs protection requirements, and with the way FSC's Controlled Wood is currently assessed.

Headquartered in Montreal, Canada, Resolute Forest Products (Resolute) – formerly known as AbitibiBowater – operates over 40 pulp, paper and saw mills in the US, Canada and South Korea. Resolute is the largest logging company in Canada by area, and was – before the certificate suspensions – the largest FSC-certified logging company in the world.² Resolute manages, owns, holds tenure rights, or operates in more than 22 million hectares of forests in Canada and the US, including large tracts of public land in Canada.³

Much of the wood that is used by Resolute's operations in the Canadian Boreal Forest is sourced from the most ecologically important forest areas in the provinces of Quebec and Ontario.⁴ These areas are highly valuable for a number of reasons, but particularly because they are some of the last remaining IFLs in Canada's managed forest zone. Not only do these areas contain a plethora of ecological values, such as valuable carbon storage and important water and air filtration, they are also home to species at risk of extinction.

UNDER THREAT

HIGH CONSERVATION
VALUE FORESTS
RARE, THREATENED,
AND ENDANGERED
SPECIES
INDIGENOUS PEOPLES'
RIGHTS

The woodland caribou is listed as threatened by the Canadian government, and logging and road building beyond a certain threshold is known to jeopardise its survival. Caribou are in dramatic decline due to industrial pressure across Canada's Boreal Forest, and yet Resolute continues to log in and source wood from some of the intact forests caribou rely on. Moreover, these intact forests are also important to several Indigenous communities who rely on their lands for their livelihoods and the maintenance of their traditional cultures. Some of these communities have opposed Resolute's logging in their traditional territories.






The two Forest Management (FM) certificates discussed in this case study cover 5.2 million hectares⁵ of largely intact forest in the biologically rich area known as the Montagnes Blanches "Endangered Forest".^{6,7} As logging in these areas threatens key values, FSC took an appropriate step and finally suspended certificates RA-FM/COC-004525 and RA-FM/COC-005956.⁸ Given the major problems identified in the latest round of audits and the lack of guidance from FSC on IFL protection, these areas should not have been certified in the first place. Resolute's management and logging activities have been found to fragment and degrade the intact forest areas of the region that woodland caribou rely on for their survival – IFLs are considered to be a High Conservation Value (HVC2) by FSC and critical habitat of the caribou (HCV 1 and 3). These values are required to be "maintained or enhanced" under FSC's Principle 9.⁹

Additionally, Resolute did not meet FSC's Principle 3 by failing to attain the free and informed consent of the Cree, for logging on their traditional territories and failing to establish appropriate protocols with the Innu First Nation, who are also affected by Resolute's logging activities.¹⁰ Both the Innu and the Cree have expressed serious concerns about management practices on their territories.

While the wood from the suspended certificate areas cannot be sold under the FSC Pure label, it is being mixed or matched with FSC certified wood and is potentially being sold under the FSC Mixed Sources label with the claim it is "from responsible sources". The Controlled Wood system was created to allow flexibility within the FSC system and support its growth, while screening out controversial wood that causes ecological damage and social conflict. The improper risk designation of this wood as being of low risk of being uncontrolled directly countermands FSC's very action of suspension and its Controlled Wood requirements.¹¹

Industrial-scale logging has heavily impacted this forest area, yet it still contains some of the most important remaining intact forests and habitat for woodland caribou. Indeed, the Montagnes Blanches region contains some of the most important intact forests and habitat for the threatened woodland caribou in the province of Quebec's entire managed forest zone.¹²

OVERLAP OF RESOLUTE'S SUSPENDED FSC CERTIFICATES WITH THE MONTAGNES BLANCHES "ENDANGERED FOREST"

-  Endangered Forest (Montagnes Blanches)
-  Northern limit of managed forests (i)
-  Woodland caribou habitat (2012) (ii)
-  Forest management units (i)
-  Intact forests (2010) (iii)

0 60 km

Data sources

(i) Gouvernement du Québec, Direction de la gestion des stocks forestiers. Répertoire des bénéficiaires de CAAF.

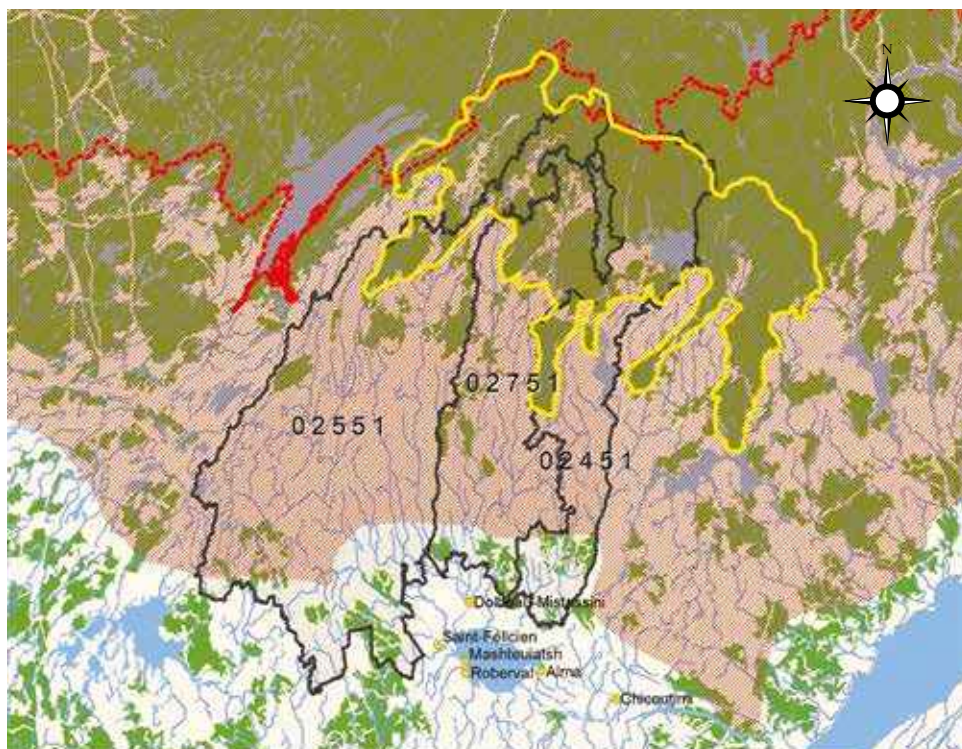
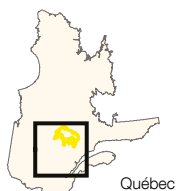
(ii) Environment Canada, June 2012

(iii) Global Forest Watch Canada, 2010. Canada's intact forest landscapes

Map produced by
Greenpeace Canada, May 2013

Datum: NAD 1983

Projection: Lambert conformal conic (Canada)



**RESOLUTE
FOREST
PRODUCTS
(TSX:RFP;
NYSE:RFP)**

Case study FSC
certificates (now suspended) #

RA-FM/COC-004525, RA-FM/COC-005956. Chain of Custody
certificates still getting wood for these areas:
QMI-COC-001267, QMI-COC-001484 and QMI-COC-0011351

FSC licence codes

FSC-C004009, FSC-C108950

Certifying body

Rainforest Alliance (FM) / QMI-SAI Global (CoC)

Country of operation

Canada, US, South Korea

Total FSC forest management
(FM) area certified

6,157,177 million hectares (after suspensions)*

Number of FSC chain-of-custody
(CoC) facilities

20 paper mills, 14 sawmills, 2 engineered wood facilities,
2 re-manufactured wood facilities, 3 sawmill partnerships in
Canada and the US

Areas covered by this case study

5.2 million hectares

FSC products

Pulp, paper, lumber

FSC complaint(s) on certificate(s) by
stakeholders

Yes

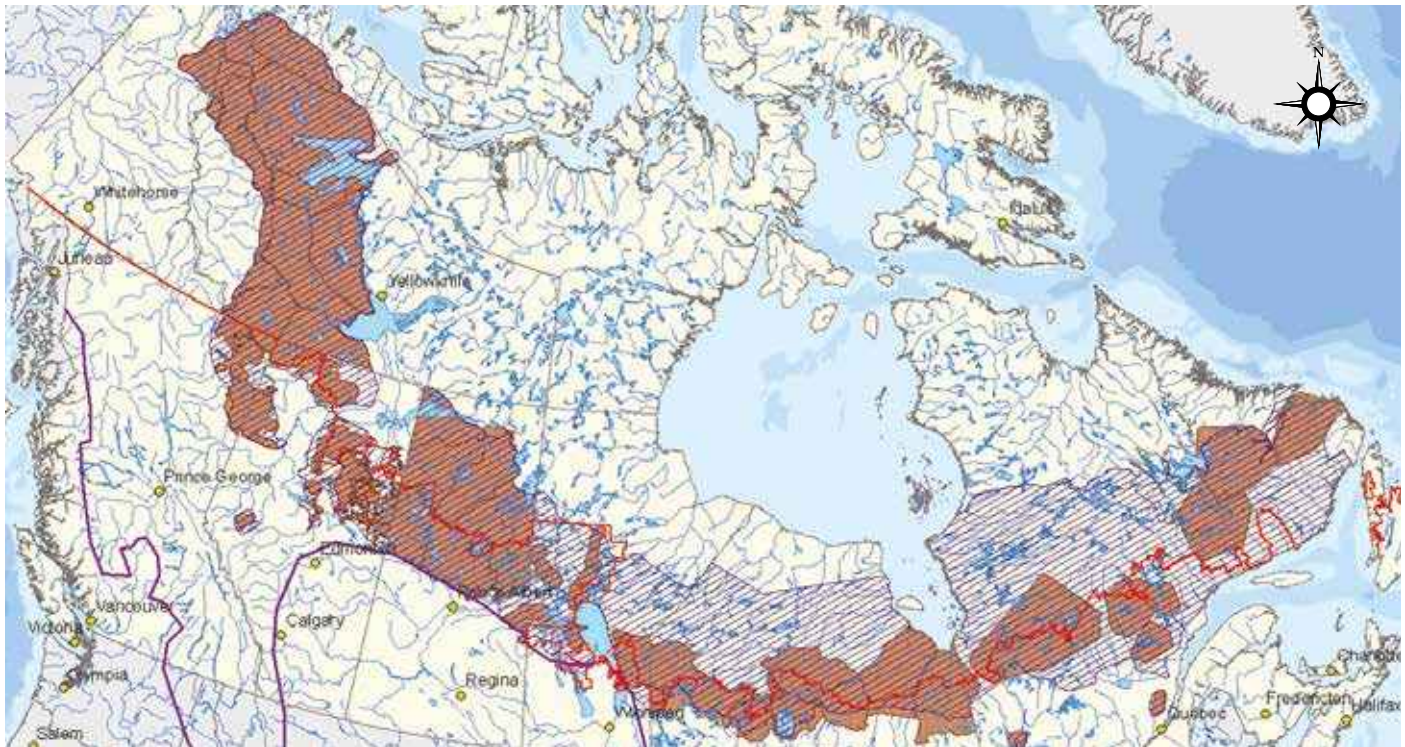
FSC corrective action requests filed

Yes

Public availability of permits, forest
management plans, detailed maps

Partially available

* According to FSC Canada and information available at info.fsc.org



Boreal caribou occurrence
 Local caribou populations
 Historic southern limit of woodland caribou
 Northern limit of managed forests

Lambert Conformal Conic Projection
 Standard Parallels 49°N and 77°N
 Central Meridian 95°W / Origin: 49°N

0 ————— 800km

WOODLAND CARIBOU DECLINE IN CANADA

i) Boreal caribou occurrence:

The Canadian BEACONS Project (Boreal Ecosystems Analysis of Conservation Networks). <http://www.rr.ualberta.ca/Research/Beacons>

ii) Local populations developed from the following sources:

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iv) Northern limit of management boundaries. Global Forest Watch Canada. Available upon request from info@globalforestwatch.ca

image: The threatened woodland caribou is extremely sensitive to disturbances such as clearcuts and roads.
© Markus Mauthe / Greenpeace



RESOLUTE'S FAILURE TO SAFEGUARD KEY FOREST VALUES

The FSC's Principles and Criteria (P&C) and the country-specific National Boreal Standard require identification and protection of rare, threatened, and endangered species, areas of outstanding biodiversity value, and large intact forest landscapes.^{13,14} Companies are required to actively contribute to a robust protected areas system. For example, Indicator 6.2.4 of the National Boreal Standard requires forestry plans "to protect the habitat and populations of species at risk in the forest." Indicator 6.2.5 requires that, in the absence of adequate plans, the precautionary approach is used in management of the habitats of the relevant species at risk.¹⁵

The threatened woodland caribou are highly sensitive to logging activity and rely on mature IFLs for their survival. They are in decline across Canada as resource extraction severely disrupts their remaining habitat. In Canada, caribou have lost approximately 50% of their range in the last 100 years.¹⁶ The Scientific Advisory Group of the Woodland Caribou Recovery Task Force for Quebec has indicated that caribou populations will continue sliding towards extinction unless logging and other development ceases in areas caribou are known to use.¹⁷ Three caribou herds whose ranges overlap with Resolute's Montagnes Blanches operations are unlikely to survive beyond 50 years due to continuing habitat destruction.¹⁸

"To facilitate population recovery we recommend . . . Avoiding further development within areas known or presumed to be occupied by woodland caribou."

Woodland Caribou Recovery Task Forest Scientific Advisory Group – Nord Du Québec, 2012

In Resolute's three management units (FMUs) that overlap the Montagnes Blanches Endangered Forest and intact caribou habitat, only an average of 4.5% is legally protected.¹⁹ Most of the units' larger IFLs are still subject to logging and road building. Unfortunately, Resolute has only proposed small and fragmented candidate protected areas, which will only reach the provincial government's minimum political target of 12% protection. This target is not based on an independent science assessment, but rather on an outdated target based on 1992 Rio Earth Summit's commitments.

This is much below what peer-reviewed science dictates an ecosystem requires to maintain its core functions. In fact, a review of 159 scientific studies suggests that 30-50% of a region must be protected for ecosystem functions to be maintained,²⁰ and additional buffer areas are needed in order to reduce risk to the ecosystem and its values and services. Moreover, a recent study of the Boreal Forest indicates that 50% should be protected from development.²¹ A large part of the remaining IFLs in this region must be protected in order for the ecosystem to remain functional.

Between 2001 and 2010, more than 280,000 hectares of previously intact forest were degraded and fragmented by logging, road building and other development in the Montagnes Blanches Endangered Forest by various logging companies, including Resolute. If the current pace of development continues, all large IFLs will be gone from the Montagnes Blanches Endangered Forest within 45 years.²² The company has publicly lobbied the Quebec government to make additional wood supply available for harvest, which would, in Greenpeace's opinion, impede increasing permanent protection.²³

Unfortunately, Resolute was granted its first FSC certificate in this region in 2009 despite these shortcomings. Greenpeace and others have expressed concerns about the ecological damage that has been caused by the company's forest operations since the certificates were granted. Greenpeace has for many years implored FSC to develop clear management guidance for the protection of HCVs as its international and national standards are lacking what is needed, especially for HCV2 IFL protection.

In January 2013 Greenpeace Canada filed an official complaint with Resolute's CB - Rainforest Alliance. Rainforest Alliance acknowledged that caribou are in decline, that the latest science shows that additional logging in intact forest will further imperil the species, and stated that the issue would be addressed in the 2013 audits. Audit findings for these two certificates were released in December 2013 concluding that Resolute's logging operations were not consistent with federal guidelines for caribou conservation, which recommend that industrial disturbance levels not exceed 35% in caribou habitat.

"The levels of current and anticipated disturbance represent a high risk to the extirpation of caribou herds that occupy certified forest, according to findings of woodland caribou ecology experts; The 2013-2014 annual work program includes several harvesting sites and construction of new roads in large un-fragmented forests that are key habitats for maintaining the woodland caribou, particularly in a context where a large part of its range is fragmented. The applicant has already carried out the work in some of these territories."

Rainforest Alliance's 2013 annual audit of certificate RA-FM/COC-004525²⁴

In addition, the auditors found that the company was risking over-harvesting, failing to conserve sufficient levels of old-growth forests, failing to conduct proper monitoring of HCVs, and that approaches for conserving a key HCV – woodland caribou – lacked the precautionary approach, which is a key principle of FSC.²⁵ All of these failings pose serious risks to the integrity of this important intact forest.

As a result of this non-compliance with the FSC National Boreal Standard, and other major failings related to Principle 3, these certificates were officially suspended on January 1, 2014.